

THE SECO/WARWICK GROUP

DIRECTORS' REPORT

ON THE SECO/WARWICK GROUP'S OPERATIONS

IN THE SIX MONTHS ENDED

JUNE 30TH 2013

The Management Board of SECO/WARWICK S.A. (“the Company”) presents the Directors’ Report on the operations of the SECO/WARWICK Group (“the Group”) in the period January 1st–June 30th 2013, prepared in accordance with the Minister of Finance’s Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz.U. of 2009, No. 33, item 259). These interim condensed consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”) and the IFRS endorsed by the European Union.

1. Information on the SECO/WARWICK Group

1.1 General information

SECO/WARWICK S.A. of Świebodzin is the parent of the SECO/WARWICK Group. SECO/WARWICK S.A. was incorporated through transformation of a limited liability company (spółka z ograniczoną odpowiedzialnością – Sp. z o.o.) into a joint-stock company (spółka akcyjna – S.A.) under the name of SECO/WARWICK S.A. with registered office in Świebodzin. The transformation was effected in accordance with the provisions of the Polish Commercial Companies Code. On December 14th 2006, the General Meeting of SECO/WARWICK Sp. z o.o. of Świebodzin approved the transformation. In the same notarial deed, all shareholders of SECO/WARWICK Sp. z o.o. declared to join the joint-stock company under the name of SECO/WARWICK S.A. of Świebodzin and to acquire Series A Shares.

SECO/WARWICK S.A. was entered in the Register of Entrepreneurs of the National Court Register on January 2nd 2007, by virtue of a decision issued by the District Court of Zielona Góra, VIII Commercial Division of the National Court Register, under No. KRS 0000271014.

SECO/WARWICK S.A. is the parent of the following subsidiaries:

- SECO/WARWICK EUROPE S.A. (before October 19th 2012: SECO/WARWICK Thermal S.A.),
- SECO/WARWICK Corporation,
- OOO SECO/WARWICK Group Moscow,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.,
- SECO/WARWICK GmbH,
- OOO SCT (Solnechnogorsk) Russia,
- SECO/WARWICK Service GmbH,
- SECO/WARWICK Allied Pvt., Ltd. (Mumbai) India.
- SECO/WARWICK do Brasil Ind. de Fornos Ltda.

Other Group companies are:

- SECO/WARWICK of Delaware Inc.
- Retech Tianjin Holdings LLC

The Group's five main product categories are:

- vacuum furnaces,
- aluminium heat exchanger brazing systems,

- aluminium heat treatment systems,
- atmosphere furnaces,
- metallurgy equipment used for melting and vacuum casting of metals and specialty alloys.

The SECO/WARWICK Group's operations are divided into five business segments corresponding to the product groups:

- vacuum furnaces (Vacuum),
- aluminium heat exchanger brazing systems (Controlled Atmosphere Brazing),
- aluminium heat treatment systems (Aluminium Process),
- atmosphere furnaces (Thermal),
- metallurgy equipment used for melting and vacuum casting of metals and specialty alloys (Melting).

1.2 Structure of the Group as at June 30th 2013

Table: As at June 30th 2013, the structure of the SECO/WARWICK Group was as follows:

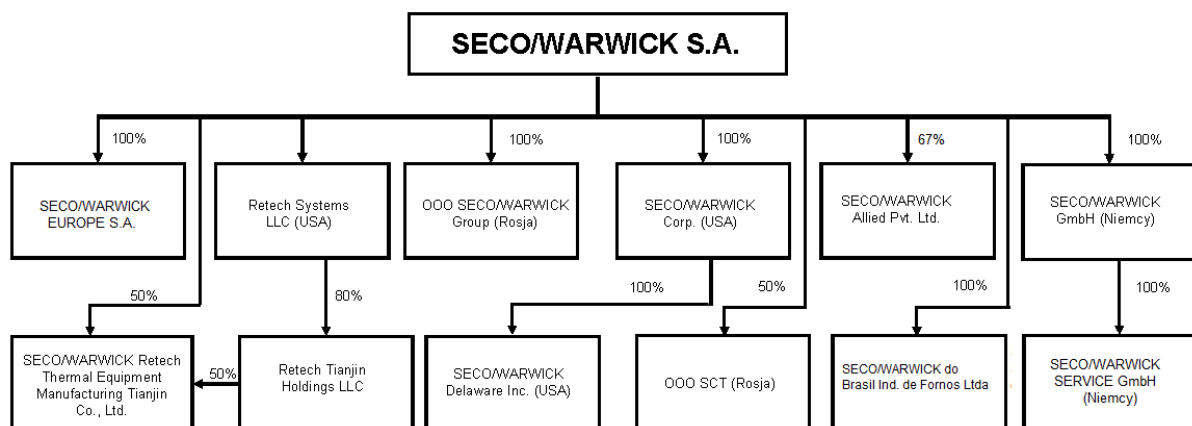
Company	Registered office	Business profile	Method of consolidation / accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin	Activities of a holding company. Strategic and financial management of the Group. Corporate supervision and provision of strategic management services to the Group subsidiaries.	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK EUROPE S.A.	Świebodzin	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of metal heat treatment equipment	Full	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	A holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	Full	100%
OOO SECO/WARWICK Group Moscow	Moscow (Russia)	Distribution of the SECO/WARWICK Group's products	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of metal heat treatment equipment	Full	90%
Retech Tianjin Holdings LLC	(USA)	Activities of a holding company.	Full	80%

SECO/WARWICK Allied Pvt., Ltd. (1)	Mumbai (India)	Manufacture of metal heat treatment equipment	Full	66.7%
SECO/WARWICK GmbH	Stuttgart (Germany)	Intermediation in the sale of furnaces manufactured by SECO/WARWICK S.A. and SECO/WARWICK EUROPE S.A., and provision of technical support to customers in Germany, Austria, the Netherlands, Switzerland, Liechtenstein and Slovenia	Full	100%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	Full	50%
SECO/WARWICK Service GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany	Full	100%
SECO/WARWICK do Brasil Ltda. (Engfor Engenharia Indústria e Comércio Ltda) (2)	Jundiaí (Brazil)	Manufacture of metal heat treatment equipment	Full	100%

⁽¹⁾ On March 25th 2013, the conditions precedent were fulfilled for the purchase of 9,090 Sale Shares. Following the acquisition, the Company held 63,765 shares, representing 58.3% of the company's share capital. On March 22nd 2013, the conditions precedent were fulfilled for the purchase of 9,127 Sale Shares. Following the acquisition, the Company holds 72,892 shares, representing 66.7% of the company's share capital.

² A conditional agreement to purchase all shares in Engfor Engenharia Indústria e Comércio Ltda (a limited liability company of Jundiaí, established and existing under the Brazilian law), conferring the right to 100% of the total votes at the company's General Meeting, was executed on April 23rd 2013.

SECO/WARWICK Group's structure as at June 30th 2013:



Composition of the SECO/WARWICK Group as at the date of release of this Report

After March 30th 2013 and until the release of this Report, there were no changes in the composition of the SECO/WARWICK Group.

2. Other supplementary information

1. Effect of changes in the Group's structure, including changes resulting from mergers, acquisitions or disposals of Group companies, long-term investments, demergers, restructuring or discontinuation of operations.

On January 2nd 2013, an agreement was executed for the disposal of organised part of business of SECO/WARWICK S.A., comprising tangible and intangible assets used in manufacturing and distribution activities, liabilities related to the manufacturing and distribution activities, and the Company's employees involved in the manufacturing and distribution activities, which was to be effected through contribution of the organised part of business to a SECO/WARWICK Group subsidiary, SECO/WARWICK EUROPE S.A. ("Subsidiary") of Świebodzin, in exchange for shares in the increased share capital of the Subsidiary.

The transfer of the organised part of SECO/WARWICK S.A.'s business was effected in pursuit of the Group's New Growth Strategy outlined in Current Report No. 28/2012, and it allowed the Group to consolidate its Polish operations within a single entity, SECO/WARWICK EUROPE S.A.

The Parent (SECO/WARWICK S.A.) focuses on the strategic and financial management of the SECO/WARWICK Group. Acting as the holding company, it exercises corporate supervision and provides strategic management services to the Group's subsidiaries.

On March 22nd 2013, the Management Board announced that a conditional agreement was concluded for the purchase of 27,339 shares in SECO/WARWICK Allied Pvt. Ltd. (Mumbai) of India, representing 25% of the company's share capital and carrying the right to 25% of the total votes at its General Meeting.

On March 25th 2013, the conditions precedent were fulfilled for the purchase of 9,090 sale shares and payment of the first instalment of the selling price. Following the acquisition of 9,090 sale shares, the Company held 63,765 shares, representing 58.3% of the share capital and carrying the right to 58.3% of the total votes in the company.

On May 22nd 2013, the conditions precedent were fulfilled for the purchase of 9,127 sale shares and payment of the second instalment of the selling price. Following the acquisition of 9,127 sale shares, the Company holds 72,892 shares, representing 66.7% of the company's share capital and carrying the right to 66.7% of the total votes at its General Meeting.

A conditional agreement to purchase 860,000 shares in Engefor Engenharia Indústria e Comércio Ltda (a limited liability company of Jundiaí, established and existing under the Brazilian law), representing 100% of the company's share capital and conferring the right to 100% of the total votes at the company's General Meeting, was executed on April 23rd 2013. The company's name was changed to SECO/WARWICK do Brasil Ind. de Fornos Ltda.

On May 24th 2013, all conditions precedent were fulfilled for the purchase of 860,000 sale shares and payment of the first instalment of the selling price in the amount of BRL 6,000,000.

In H1 2013, there were no other changes in the SECO/WARWICK Group's structure which would include mergers, acquisitions or disposals of Group companies, long-term investments, demergers, restructuring or discontinuation of operations.

2. Management Board's position on the feasibility of meeting any previously published forecasts for 2013 in light of the results presented in the H1 2013 report.

The SECO/WARWICK Management Board did not publish any forecasts for 2013 concerning the Company's or the Group's financial performance.

3. Shareholders holding, directly or indirectly, 5% of the total votes at the General Meeting as at the date of release of this report, including information on any changes subsequent to the release of the Q1 2013 quarterly report of the SECO/WARWICK Group.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the date of release of this report, i.e. May 13th 2013

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at the General Meeting
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%	1,726,174	16.48%
Funds represented by PKO BP BANKOWY PTE S.A.	1,026,675	9.80%	1,026,675	9.80%
Bleauhard Holdings LLC	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%	600,000	5.73%
AMPLICO	577,470	5.51%	577,470	5.51%

* The data presented in the table is based on notifications received from the shareholders.

In Current Report No. 26/2013, which made reference to Current Report No. 6/2013 of April 18th 2013, the SECO/WARWICK Management Board reported that on July 23rd 2013 it received a notification, dated July 22nd 2013, from PKO BP Bankowy Otwarty Fundusz Emerytalny ("PKO OFE"), represented by PKO BP BANKOWY Powszechnie Towarzystwo Emerytalne Spółka Akcyjna (the "Pension Fund Management Company"), to the effect that following the liquidation of OFE POLSAT and the PKO OFE's takeover of OFE POLSAT's assets, PKO OFE's aggregate share in the total votes at the Company's General Meeting exceeded 5%.

Following the liquidation, PKO OFE held 849,698 Company shares, representing 8.1107% of the Company's share capital, with 849,698 votes attached to the shares, representing 8.11% of the total votes at the Company's General Meeting.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total votes at the General Meeting as at the date of release of this report, i.e. August 30th 2013.

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote at the General Meeting
SW Poland Holding B.V. (Netherlands)	4,119,508	39.32%	4,119,508	39.32%
Spruce Holding Limited Liability Company (USA)	1,726,174	16.48%	1,726,174	16.48%
Funds represented by PKO BP BANKOWY PTE S.A.	849,698	8.11%	849,698	8.11%

Bleauhard Holdings LLC	904,207	8.63%	904,207	8.63%
ING NN OFE	600,000	5.73%	600,000	5.73%
AMPLICO	577,470	5.51%	577,470	5.51%

The data presented in the table is based on notifications received from the shareholders.

4. SECO/WARWICK shares held by members of the Management Board and Supervisory Board as at the date of release of this report, including information on any changes subsequent to the publication of the Q1 2013 report.

Members of the Management Board and Supervisory Board of SECO/WARWICK S.A. do not hold any shares in related entities.

	May 13 2013			Decrease/increase	Aug 30 2013			
	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote		Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	13,541	0.13%	0.13%	-	13,541	0.13%	0.13%	2,708
Wojciech Modrzyk	400	0.004%	0.004%	-	400	0.004%	0.004%	80
Jarosław Talerzak	-	-	-	-	-	-	-	-
Supervisory Board								
Andrzej Zawistowski	-	-	-	-	-	-	-	-
Henryk Pilarski	100	0.001%	0.001%	-	100	0.001%	0.001%	20
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
James A.Goltz	-	-	-	-	-	-	-	-
Witold Klinowski	-	-	-	-	-	-	-	-
Zbigniew Rogóż	-	-	-	-	-	-	-	-
Dr Gutmann Habig	-	-	-	-	-	-	-	-
Commercial proxies								
Piotr Walasek	-	-	-	-	-	-	-	-
Katarzyna Kowalska	-	-	-	-	-	-	-	-
Total	23,817	0.23%	0.23%	-	23,817	0.23%	0.23%	4,763
Item	30.08.2013							
Number of shares	10,476,210							
Par value of shares	0.2							
Share capital	2,095,242.00							

The Management Board of SECO/WARWICK S.A. reports that on July 17th 2013 it received notifications under Art. 160 of the Act on Trading in Financial Instruments ("Notifications") from three Management Board Members and a Commercial Proxy.

According to the Notifications delivered to the Company, on July 17th 2013 three Management Board Members and a Commercial Proxy acquired - under the 2012-2016 Incentive Scheme adopted by

virtue of resolution No. 21 of the Annual General Meeting of May 28th 2012 - a total of 128,889 Series E shares in the Company, with a par value of PLN 0.20 per share, at the issue price of PLN 0.20 per share.

Details of the transactions:

1. Acquisition by a Management Board Member of 84,796 shares at the issue price of PLN 0.20 per share on July 17th 2013;
2. Acquisition by a Management Board Member of 16,959 shares at the issue price of PLN 0.20 per share on July 17th 2013;
3. Acquisition by a Management Board Member of 16,959 shares at the issue price of PLN 0.20 per share on July 17th 2013;
4. Acquisition by a Commercial Proxy of 10,175 shares at the issue price of PLN 0.20 per share on July 17th 2013.

The shares were acquired outside of a regulated market.

	May 13 2013			Decrease/increase	After registration of Series E shares in securities accounts			
	Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote		Number of SECO/WARWICK shares held	Ownership interest (%)	% of total vote	Total par value of shares (PLN)
Management Board								
Paweł Wyrzykowski	13,541	0.13%	0.13%	84,796	98,337	0.93%	0.93%	19,667
Wojciech Modrzyk	400	0.004%	0.004%	16,959	17,359	0.16%	0.16%	3,472
Jarosław Talerzak	-	-	-	16,959	16,959	0.16%	0.16%	3,392
Supervisory Board								
Andrzej Zawistowski	-	-	-	-	-	-	-	-
Henryk Pilariski	100	0.001%	0.001%	-	100	0.0009%	0.0009%	20
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
James A.Goltz	-	-	-	-	-	-	-	-
Witold Klinowski	-	-	-	-	-	-	-	-
Zbigniew Rogóż	-	-	-	-	-	-	-	-
Dr Gutmann Habig	-	-	-	-	-	-	-	-
Commercial proxies								
Piotr Walasek	-	-	-	10,175	10,175	0.1%	0.1%	2,035
Katarzyna Kowalska	-	-	-	-	-	-	-	-
Total	23,817	0.23%	0.23%	128,889	152,706	1.44%	1.44%	30,541
Item								
Number of shares	10,625,449							
Par value of shares	0.2							
Share capital	2,125,089.80							

Pursuant to Art. 451.2 and Art. 452.1 of the Polish Commercial Companies Code, acquisition of rights attached to the Series E Shares and an increase in the Company's share capital will be effected upon registration of the Series E Shares in the securities account.

In the period under review and until August 30th 2013, members of the Management and Supervisory Boards of SECO/WARWICK S.A did not execute any other transactions involving Company shares.

5. Material court, arbitration or administrative proceedings

In H1 2013, the value of liabilities or receivables of SECO/WARWICK S.A or the Group companies disputed in any single or all pending court, arbitration or administrative proceedings did not exceed 10% of SECO/WARWICK S.A.'s equity.

6. Transaction or a series of transactions concluded by the Company or its subsidiaries with related parties where the value of such transaction or all such transactions jointly is material and the transactions were not concluded at arm's length.

In the period from the beginning of the financial year until the date of release of this report, SECO/WARWICK S.A. and its subsidiaries did not enter into any material transactions with related parties other than routine transactions or transactions executed on an arm's length basis.

7. Sureties for bank borrowings or guarantees issued by SECO/WARWICK S.A. or its subsidiaries, jointly to one entity or its subsidiary, where the total outstanding amount of such sureties or guarantees exceeds 10% of SECO/WARWICK S.A.'s equity

In H1 2013, there were no events related to sureties for bank borrowings or guarantees exceeding 10% of the Company's equity issued by SECO/WARWICK S.A. or any of its subsidiaries.

8. Other information which in the Company's opinion is material for the assessment of its personnel, assets, financial standing and financial result and their changes, or for the assessment of its ability to fulfil obligations

The SECO/WARWICK Group considers it important to note that contract wins in the second quarter of the year were double the amount recorded in the first quarter, which is a sign of improvement in the Group's global economic standing and future financial performance. As at the end of H1 2013, the value of the Group's order book was PLN 337m, including contracts secured in the first six months of the year worth PLN 193m. A vast majority of these contracts provide for deliveries of specialist melting furnaces, vacuum furnaces and atmosphere heat treatment furnaces.

In H1 2013, the transfer of organised part of SECO/WARWICK S.A.'s business was effected in pursuit of the Group's New Growth Strategy outlined in Current Report No. 28/2012, which allowed the Group to consolidate its Polish operations within a single entity, SECO/WARWICK EUROPE S.A.

The transaction was effected within the Group, hence it had no direct effect (other than the achievement of pre-set strategic goals) on the consolidated financial statements.

In April 2013, following completion of the recruitment process, Ms Jocelyn Li was appointed Managing Director of SECO/WARWICK Retech in China. From 2006, Ms Li was employed as Business Unit Manager at China's Parker Hannifin Corporation, where she directed one of the eight main business segments – filtration products. Under her management, Filtration China managed to increase the value of its sales from USD 700 thousand in 2006 to USD 35m in 2011. Ms Li built from scratch a corporate structure which ultimately employed 180 staff, implemented four new product lines and significantly expanded its customer base in the OEM, automotive, power, food, and pharmaceutical sectors in China.

Jocelyn Li began her professional career with IBM China, where she worked from 1994 until 2003, initially for local and then global supply centres in Shanghai. Before 2006, Ms Li introduced and developed manufacturing and supply methods, systems, procedures, and standards originating in the

West, and, on completion of an MBA programme in the USA, she became a business manager responsible for a venture's performance.

Concurrently with the recruitment process in China, a search for candidates for the position of Managing Director at SECO/WARWICK Corp. was also under way.

As at the date of release of the H1 2013 report, the Company and the Group's operations were stable, with all liabilities settled on a timely basis.

9. Factors which in the Company's opinion will affect its performance in the next six months or in a longer term

9.1. Material events in H1 2013

In the opinion of the Company's Management Board, the following events which occurred between January 1st 2013 and June 30th 2013 will affect the Group's performance in the next six months or in a longer term.

The disposal of SECO/WARWICK S.A's organised part of business:

In Current Report No. 01/2013 of January 3rd 2013, the SECO/WARWICK Management Board reported on the acquisition of shares in a subsidiary. On December 18th 2012, the Extraordinary General Meeting of SECO/WARWICK EUROPE S.A. of Świebodzin, a wholly-owned subsidiary of SECO/WARWICK S.A., adopted Resolution No. 1/2012 on share capital increase at SECO/WARWICK EUROPE S.A. through the issue of new Series B ordinary registered shares, which were offered to SECO/WARWICK S.A. in a private placement in exchange for a non-cash contribution (the "Contribution"). The share capital of SECO/WARWICK EUROPE S.A. was increased pursuant to the Resolution. On January 2nd 2013, SECO/WARWICK EUROPE S.A. submitted to SECO/WARWICK S.A. an invitation to acquire the New Shares. The Company accepted the invitation and executed with SECO/WARWICK EUROPE S.A. a share purchase agreement concerning the New Shares. Under the Share Purchase Agreement, SECO/WARWICK S.A. acquired the New Shares for a total issue price of PLN 82,218,000 in exchange for the Contribution.

On January 3rd 2013, in Current Report No. 02/2013 the Management Board of SECO/WARWICK S.A. reported of the disposal of an organised part of the Company's business to a subsidiary as a contribution to cover the subsidiary's new issue shares. An agreement was executed for the disposal of an organised part of business of SECO/WARWICK S.A. comprising tangible and intangible assets used in manufacturing and distribution activities, liabilities related to the manufacturing and distribution activities, and the Company's employees involved in the manufacturing and distribution activities, to be effected through contribution of the organised part of business to a subsidiary of the SECO/WARWICK Group, i.e. SECO/WARWICK EUROPE S.A. ("Subsidiary") of Świebodzin, in exchange for shares in the increased share capital of the Subsidiary. The transfer of the organised part of business was a part of the Group's New Growth Strategy presented in Current Report No. 28/2012. The disposal will allow the Group to consolidate its Polish operations within a single entity, SECO/WARWICK EUROPE S.A. The Parent (SECO/WARWICK S.A.) will focus on the strategic and financial management of the SECO/WARWICK Group. SECO/WARWICK S.A., acting as the holding company, will exercise corporate supervision and provide strategic management services to the subsidiaries of the SECO/WARWICK Group.

Indian market – increased equity interest in SECO/WARWICK Allied:

In Current Report No. 04/2013 of March 22nd 2013, the Management Board of SECO/WARWICK S.A. reported that the Company and shareholders (the "Selling Shareholders") of Seco/Warwick Allied Private Limited of Maharashtra, India ("SWAPL"), in which the Company holds a 50% interest, representing 50% of SWAPL's equity and carrying the right to 50% of the total votes at the General Meeting of SWAPL, entered into a conditional agreement on purchase by the Company of 27,339 SWAPL shares, representing 25% of SWAPL's equity and carrying the right to 25% of the

total votes at its General Meeting (the “Sale Shares”) (the “Agreement”). Pursuant to the Agreement, the acquisition of Sale Shares by the Company depends on fulfilment - to the Company’s satisfaction - of certain conditions precedent, listed in the Current Report. Under the Agreement, the total selling price for the Sale Shares is 161,000,000 Indian rupees (PLN 9,590,609, translated at the mid-exchange rate quoted by the National Bank of Poland for March 22nd 2013) (the “Selling Price”), and the total Selling Price is to be paid by the Company in three instalments, upon fulfilment of conditions precedent to each payment.

In Current Report No. 05/2013 of March 25th 2013, the Management Board of SECO/WARWICK S.A. reported that on March 25th 2013 the conditions precedent were fulfilled for the purchase of 9,090 Sale Shares and payment of the first instalment of the Selling Price of 53,529,280 Indian rupees (PLN 3,156,996, translated at the mid-exchange rate quoted by the National Bank of Poland for March 25th 2013), as defined in the agreement for purchase of shares in Seco/Warwick Allied Private Limited of Maharashtra, India (“SWAPL”), made between the Company and SWAPL shareholders. Following the acquisition of 9,090 Sale Shares, the Company will hold 63,765 shares, representing 58.3% of the SWAPL's equity and carrying the right to 58.3% of the total votes at the General Meeting of SWAPL.

In Current Report No. 16, which made reference to Current Report No. 4/2013 of March 22nd 2013, the SECO/WARWICK Management Board reported that on May 22nd 2013 the conditions precedent were fulfilled for the purchase of 9,127 Sale Shares and payment of the second instalment of the Selling Price of 53,748,240 Indian rupees (PLN 3,130,620, translated at the mid-exchange rate quoted by the National Bank of Poland for May 22nd 2013), as defined in the agreement for purchase of shares in SECO/WARWICK Allied Private Limited of Maharashtra, India (“SWAPL”), made between the Company and SWAPL shareholders.

Following the acquisition of 9,127 Sale Shares, the Company will hold 72,892 shares, representing 66.7% of the SWAPL's share capital and carrying the right to 66.7% of the total votes at the General Meeting of SWAPL.

Brazilian market – acquisition of a 100% equity interest in SECO/WARWICK do Brasil Ind. de Fornos Ltda.

In Current Report No. 08/2013, the SECO WARWICK S.A. Management Board reported that on April 23rd 2013 it executed a conditional agreement (the “Agreement”) to purchase 860,000 shares with a par value of BRL 1 per share (PLN 1.5739), held by Brazilian citizens Aparicio Vilademir de Freitas and Yassuhiro Sassaqui (the “Sellers”), representing 100% of the share capital of Engefor Engenharia Indústria e Comércio Ltda, a limited liability company of Jundiaí, established and existing under the Brazilian law, and conferring the right to 100% of the total votes at the company's general meeting (the “Purchase Shares”). The Agreement was also executed by the Company and the spouses of the Sellers.

In Current Report No. 17/2013, which made reference to Current Report No. 8/2013, the SECO/WARWICK Management Board reported that on May 24th 2013 all conditions precedent were fulfilled for the purchase of 860,000 Sale Shares and payment of the first instalment of the Selling Price of 6,000,000 Brazilian real (PLN 9,506,400, translated at the mid-exchange rate quoted by the National Bank of Poland for May 24th 2013), as defined in the agreement for purchase of shares in Engefor Engenharia Indústria e Comércio Ltda of Jundiaí, Brazil, made between SECO/WARWICK S.A. and the company's shareholders.

9.2. General objectives of the Incentive Scheme of SECO/WARWICK SA

Key terms of the 2012–2016 Incentive Scheme:

1. The person serving as President of the Management Board as at the date of the Resolution (“**President of the Management Board**”) and the key company employees indicated by the President

of the Management Board in consultation with the Supervisory Board (jointly with the President of the Management Board - the “**Eligible Persons**”) shall be eligible for participation in the 2012–2016 Incentive Scheme. With respect to each Eligible Person other than the President of the Management Board, an a_i ratio, referred to in Par. 2.11 below, shall be determined along with the indication of the person. The list of Eligible Persons shall be prepared by the Supervisory Board in consultation with the President of the Management Board within three months from the date of the Resolution.

2. The 2012–2016 Incentive Scheme shall include up to 500,000 (five hundred thousand) of Company Series E shares (“**Series E Shares**”). The President of the Management Board shall be entitled to acquire up to 250,000 (two hundred and fifty thousand) Series E Shares, and the other Eligible Persons shall have the right to acquire the maximum of the remaining 250,000 (two hundred and fifty thousand) Series E Shares.

3. Under the 2012–2016 Incentive Scheme, Eligible Persons shall be entitled to acquire Series B subscription warrants (“**Series B Warrants**”) free of charge. Series B Warrants shall confer the right to acquire Series E Shares at their par value of PLN 0.20 (twenty grosz) per share.

4. One Series B Warrant shall confer the right to acquire one Series E Share.

5. The 2012–2016 Incentive Scheme shall be implemented by way of resolutions adopted by the General Meeting on conditional share capital increase by up to PLN 100,000 (one hundred thousand złoty), through an issue of up to 500,000 (five hundred thousand) Series E Shares and an issue of up to 500,000 (five hundred thousand) Series B Warrants, with full waiver of the existing shareholders’ pre-emptive rights to all Series E Shares and Series B Warrants.

6. The 2012–2016 Incentive Scheme is planned to cover a period of four years starting from the date of its approval by the General Meeting. The duration of the 2012–2016 Incentive Scheme may be extended by the Supervisory Board making relevant changes in the Rules of the Incentive Scheme.

7. The number of Series B Warrants issued to Eligible Persons will depend on:

- (i) the price of the Company shares on the Warsaw Stock Exchange (“**WSE**”), or
- (ii) the selling price of shares, whether sold in one or more transactions (including as part of a tender offer), conferring the rights to at least 33% (thirty-three per cent) of the total votes at the General Meeting, by a shareholder or shareholders acting jointly under a memorandum of understanding, agreement, arrangement, or as part of any other relationship in fact or in law, holding in aggregate, directly or indirectly, Company shares conferring the right to at least 33% (thirty-three per cent) of the total votes at the General Meeting (“**Major Shareholder**“; the term may refer to one or more shareholders acting jointly), to a third party (other than a Major Shareholder or a related party of any of the Major Shareholders). If the shares are sold by a Major Shareholder in more than one transaction, then the number of Series B Warrants to be issued to Eligible Persons shall be calculated on the basis of the arithmetic mean of the selling prices in all the transactions, weighted by the number of the Company shares sold in a given transaction.

8. An Eligible Person shall be entitled to acquire Series B Warrants a number of times during the term of the Incentive Scheme, however, not more frequently than twice in a calendar year. The limited frequency with which the right to acquire Series B Warrants may be exercised does not apply when the exercise of the right by an Eligible Person is based on the sale of the Company shares by a Major Shareholder.

9. An Eligible Person shall be entitled to acquire Series B Warrants if:

- (i) the average price of the Company shares from the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the Eligible Person is at least PLN 35 (thirty-five złoty) per share, or
- (ii) a Major Shareholder decides to sell at least 33% (thirty-three per cent) of all Company shares to an entity other than a Major Shareholder or a related party of a Major Shareholder, at a price of at least

PLN 35 (thirty-five zloty) per share. An Eligible Person may acquire Series B Warrants no sooner than 3 (three) months from the date of notifying the Company of his or her intention to acquire Series B Warrants. The Company shall procure that Series B Warrants are issued to Eligible Persons no later than within 4 (four) months following the receipt of the notification. Series B Warrants may be issued through an investment firm, acting as a custodian.

10. The maximum number of Series B Warrants which may be acquired by the President of the Management Board shall be calculated based on the following formula:

$$Q = 6.666 P - 183.310$$

provided that:

$$\text{dla } P < 35 \text{ PLN} \Rightarrow Q = 0$$

$$\text{dla } P \geq 65 \text{ PLN} \Rightarrow Q = 250.000$$

where:

Q shall mean the number of Series B Warrants;

P shall mean, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the President of the Management Board, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and a buyer.

If the number of Series B Warrants which may be acquired by the President of the Management Board as determined based on the above formula is not an integer, such number shall be rounded down to the nearest integer.

Each time the President of the Management Board exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled shall be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the President of the Management Board under the 2012–2016 Incentive Scheme.

11. The maximum number of Series B Warrants which may be acquired by an Eligible Person other than the President of the Management Board shall be calculated based on the following formula:

$$Q = a_i \times (6.666 P - 183.310)$$

provided that:

$$\text{dla } P < 35 \text{ PLN} \Rightarrow Q = 0$$

$$\text{dla } P \geq 65 \text{ PLN} \Rightarrow Q = a_i \times 250.000$$

where:

Q shall mean the number of Series B Warrants;

P shall mean, as the case may be (i) the average price of the Company shares in the 6 (six) months immediately preceding the date of acquiring Series B Warrants by the given Eligible Person, or (ii) the price of one Company share sold in a transaction between a Major Shareholder and a buyer.

a_i shall mean a ratio determined individually for each Eligible Person, provided that:

$$a_i \in (0,1) \text{ oraz } \sum_{i=1}^n a_i \leq 1$$

If the number of Series B Warrants which may be acquired by an Eligible Person as determined based on the above formula is not an integer, such number shall be rounded down to the nearest integer.

Each time an Eligible Person exercises his or her right to acquire Series B Warrants, the number of Series B Warrants to which he or she is entitled shall be reduced, in accordance with the above formula, by the number of Series B Warrants previously issued to the Eligible Person under the 2012–2016 Incentive Scheme.

12. The number of Series B Warrants acquired by each Eligible Person shall in no event be higher than: (i) 250,000 (two hundred and fifty thousand) in the case of Series B Warrants acquired by the President of the Management Board; and (ii) $a_i \times 250,000$ (two hundred and fifty thousand) in the case of an Eligible Person other than the President of the Management Board.

13. The Eligible Person who has acquired Series B Warrants under the 2012–2016 Incentive Scheme shall be entitled to acquire Series E Shares at any time, however, no later than by December 31st 2016.

10. Types and amounts of items affecting assets, equity and liabilities, share capital, net profit/(loss), or cash flows, which are unusual due to their type, size or effect.

In the business activities of SECO/WARWICK S.A. and its Group, there are no material types or amounts of items that would affect assets, equity and liabilities, share capital, net profit/(loss) or cash flows and that would be unusual due to their type, size or effect.

11. Types and amounts of changes in estimates disclosed in previous interim periods of the financial year 2013 or changes in estimates disclosed in previous financial years if they have a material bearing on H1 2013.

In the business activities of SECO/WARWICK S.A. and the SECO/WARWICK Group, there were no changes in the disclosed estimates that would, due to their type or amount, have a material bearing on the results of H1 2013.

12. Issue, redemption and repayment of debt and equity securities

No debt or equity securities were issued, redeemed or repurchased in H1 2013.

13. Key threats and risks relating to the months remaining to the end of the financial year

The Company is exposed to market risk, comprising currency risk, interest rate risk, liquidity risk and credit risk. As part of the risk management process, an expert management accounting system has been developed and implemented. The key risk parameters at the level of operating and financing activities are monitored through monthly reports. The Company's Finance Division identifies, measures, manages and monitors risks on an ongoing basis.

The Company operates a system of internal regulations (procedures, orders, rules and instructions), facilitating its proper functioning and mitigating the risks to which the Company is exposed.

The Company's effective internal control and risk management system applied to financial reporting was developed based on:

1. Clearly specified division of responsibilities and work organisation,

2. Precise definition of the scope of the Company's financial reporting,
3. Regular reviews of the Company's performance, based on the financial reporting system used by the Company,
4. Requirement to submit financial statements for approval prior to their disclosure,
5. Audit/review of financial statements by an independent qualified auditor,

In the Management Board's opinion, the risk management system implemented at the Company significantly mitigates the risks to which the Company is exposed.

14. Material events subsequent to the end of H1 2013, not disclosed in the financial statements for H1 2013 but potentially having a material bearing on future performance of the SECO/WARWICK Group.

No such events occurred.

Date: August 30th 2013

Paweł Wyrzykowski

Wojciech Modrzyk

Jarosław Talerzak

*President of the Management
Board*

*Vice-President of the Management
Board*

*Vice-President of the Management
Board*