



***SECO/WARWICK***  
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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2020**

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## I. General information

### 1. Parent

The Parent of the SECO/WARWICK Group (the "Group" or the "SECO/WARWICK Group") is SECO/WARWICK Spółka Akcyjna of Świebodzin (the "Company"). The Company was incorporated on January 2nd 2007 and registered by the District Court for Zielona Góra, 8th Commercial Division of the National Court Register, in the Register of Businesses of the National Court Register under No. KRS 0000271014.

Name:	SECO/WARWICK S.A.
Legal form:	Joint-stock company (spółka akcyjna)
Registered offices:	ul. Sobieskiego 8, 66-200 Świebodzin, Poland
Principal business according to the Polish Classification of Business Activities (PKD):	
28,21,Z	Manufacture of ovens, furnaces and furnace burners
25	Manufacture of fabricated metal products, except machinery and equipment
33	Repair, maintenance, and assembly of machinery and equipment
46	Wholesale trade, except motor vehicles and motorcycles
49	Land transport and transport via pipelines
52	Warehousing and support activities for transportation
62	Computer programming, consultancy and related activities
71	Architectural and engineering activities; technical testing and analysis
72	Scientific research and development
64,20,Z	Activities of financial holding companies
National Court Register No.	KRS 0000271014
Industry Identification Number (REGON)	970011679

### 2. Duration of the Group

SECO/WARWICK S.A. and other companies of the SECO/WARWICK Group were incorporated to operate for an unlimited period of time, except SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd., which was established to operate for 27 years, i.e. until May 5th 2037. The financial statements of all subordinates have been prepared for the same period as the Parent's financial statements, using uniform accounting policies.

### 3. Presented periods

These interim condensed consolidated financial statements have been prepared for the period January 1st–June 30th 2020.

Comparative data is presented:

- as at December 31st 2019 – in the case of the consolidated statement of financial position,
- for the period from January 1st to June 30th 2019 and from April 1st to June 30th 2019 – in the case of the interim consolidated statement of comprehensive income,
- for the period from January 1st to June 30th 2019 – in the case of the interim consolidated statement of cash flows,
- for the period from January 1st to June 30th 2019 – in the case of the interim consolidated statement of changes in equity,

The statement of comprehensive income and notes to the statement of comprehensive income contain data for the three months ended June 30th 2020 and comparative data for the three months ended June 30th 2019 which have not been audited or reviewed by an auditor.

The interim profit/loss may not fully reflect the realisable profit/loss for the full financial year.

### 4. Composition of SECO/WARWICK S.A.'s governing bodies

As at the date of issue of these financial statements and as at June 30th 2020 and December 31st 2019, the Management Board of SECO/WARWICK S.A. was composed of:

- Sławomir Woźniak – President of the Management Board
- Jarosław Talerzak – Vice President of the Management Board
- Bartosz Klinowski – Member of the Management Board
- Earl Good – Member of the Management Board
- Piotr Walasek – Member of the Management Board

As at the date of issue of these financial statements and as at June 30th 2020 and December 31st 2019, the Supervisory Board of SECO/WARWICK S.A. was composed of:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Henryk Pilarski – Deputy Chairman of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Jacek Tucharz – Member of the Supervisory Board

#### Changes in the composition of the Management Board:

In the period from January 1st 2020 to the date of issue of these financial statements, there were no changes in the composition of the Management Board.

#### Changes in the composition of the Supervisory Board:

In the period from January 1st 2020 to the date of issue of these financial statements, there were no changes in the composition of the Supervisory Board.

### 5. Audit firm

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa  
Rondo ONZ 1  
00-124 Warsaw, Poland

## 6. Major holdings of shares

Shareholders holding over 5% of the total voting rights as at June 30th 2020 are listed in the table below.

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	1,046,573	10.16%	1,046,573	10.16%
Bleauhard Holdings LLC	637,028	6.19%	637,028	6.19%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife OFE	577,470	5.61%	577,470	5.61%

The information presented in the table is based on notifications received by the Group from the shareholders under Art. 69 of the Public Offering Act.

From the issue date of the Q1 2020 report, i.e. May 15th 2020, to the issue date of the H1 2020 report, there were no changes in the list of shareholders holding more than 5% of voting rights at the Company's General Meeting.

SECO/WARWICK S.A. holds 364,277 treasury shares, representing 3.54% of the share capital. The Company does not exercise voting rights in respect of its treasury shares.

On February 12th 2020, the Extraordinary General Meeting passed Resolution No. 5 to authorise the Company's Management Board to repurchase the Company's shares listed on the regulated market operated by the Warsaw Stock Exchange. Pursuant to the resolution, the Company will be able to repurchase up to one million shares by December 31st 2021. Shares repurchased by the Company may be cancelled on the basis of a separate resolution of the General Meeting or, upon prior approval by the Company's Supervisory Board, may be held for the purposes of existing or future incentive schemes at the Company or its subsidiaries, for further resale or for any other purpose defined in a resolution of the Company's Management Board.

## 7. Subsidiaries

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

- SECO/WARWICK Corporation,
- SECO/WARWICK Rus,
- Retech Systems LLC,
- SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.,
- SECO/WARWICK Germany GmbH,
- SECO/WARWICK Services Sp. z o.o.,
- SECO/WARWICK of Delaware, Inc.,
- Retech Tianjin Holdings LLC,
- SECO WARWICK USA HOLDING LLC,
- SECO VACUUM TECHNOLOGIES LLC,
- SECO/WARWICK Systems and Services India PVT. Ltd.

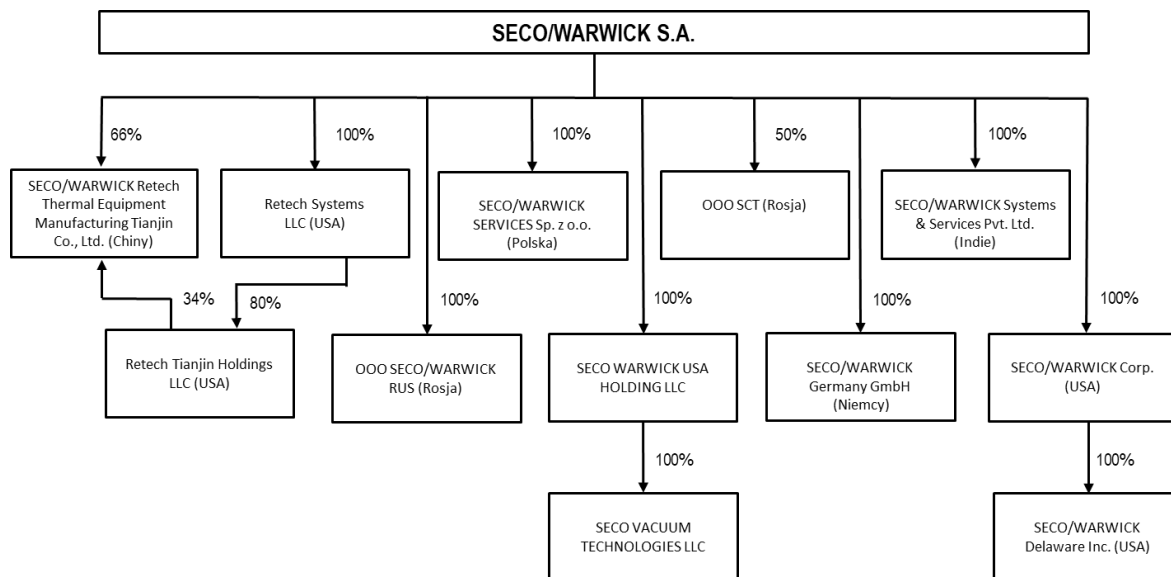
**Changes in the composition of the Group:**

In H1 2020, no other changes took place in the organisational structure of the Group’s business, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations.

**8. Jointly controlled entities**

OOO SCT (Solnechnogorsk) Russia, in which SECO/WARWICK S.A. holds a 50% interest, conferring the right to 50% of the total voting rights in the company.

**9. Organisation of the Group:**



**II. Authorisation of the financial statements**

The Parent’s Management Board authorised these interim condensed consolidated financial statements for issue on September 11th 2020.



**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2020



**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(PLN '000)

	Note	Jan 1–Jun 30 2020 (unaudited)	Jan 1–Jun 30 2019 (unaudited)	Apr 1–Jun 30 2019 (unaudited)	Apr 1–Jun 30 2019 (unaudited)
Revenue from sale of finished goods and services		191,250	225,886	91,242	118,333
Revenue from sale of merchandise and materials		1,521	5,499	531	2,032
<b>Revenue</b>	1.2	<b>192,771</b>	<b>231,385</b>	<b>91,773</b>	<b>120,365</b>
Cost of finished goods sold and services rendered		-146,787	-172,547	-67,088	-88,797
Cost of merchandise and materials sold		-1,038	-4,826	-399	-1,708
<b>Cost of sales</b>	2	<b>-147,825</b>	<b>-177,373</b>	<b>-67,486</b>	<b>-90,505</b>
<b>Gross profit/(loss)</b>		<b>44,947</b>	<b>54,011</b>	<b>24,286</b>	<b>29,860</b>
Other income	3	1,618	2,006	1,254	1,310
Distribution costs		-11,210	-17,223	-5,029	-9,923
Administrative expenses		-24,321	-25,864	-12,576	-14,319
Impairment of receivables and contract assets	3	-518	-1,399	-518	-1,494
Other expenses	3	-930	-826	-194	-272
<b>Operating profit/(loss)</b>		<b>9,585</b>	<b>10,705</b>	<b>7,224</b>	<b>5,163</b>
Finance income	4	3,149	396	236	652
Finance costs	4	-4,050	-1,771	-3,386	-2,045
Share of net profit/(loss) of equity-accounted jointly controlled entities		-2	-87	31	-24
<b>Profit/(loss) before tax</b>		<b>8,683</b>	<b>9,243</b>	<b>4,104</b>	<b>3,746</b>
Income tax		-2,799	-1,529	-848	-427
Net profit/(loss) from continuing operations		5,884	7,715	3,257	3,319
<b>Net profit/(loss)</b>		<b>5,884</b>	<b>7,715</b>	<b>3,257</b>	<b>3,319</b>
<b>Net profit/(loss) attributable to</b>					
Owners of the parent		5,714	7,402	3,075	3,270
Non-controlling interests		169	312	182	49
<b>OTHER COMPREHENSIVE INCOME:</b>					
<b>Items not to be reclassified to profit/(loss) in subsequent reporting periods</b>					
Actuarial gains/(losses) on a defined benefit pension plan	19	-1,620	8	-1,620	8
Income tax on other comprehensive income		-	-	-	-
<b>Items which may be reclassified to profit/(loss) in subsequent reporting periods</b>					
Valuation of cash flow hedging derivatives	10	-1,500	720	1,642	776
Exchange differences on translating foreign operations		2,639	-296	-2,561	-1,624
Income tax on other comprehensive income		285	-137	-312	-147
<b>Total other comprehensive income, net</b>		<b>-196</b>	<b>296</b>	<b>-2,851</b>	<b>-987</b>
<b>Total comprehensive income</b>		<b>5,688</b>	<b>8,011</b>	<b>406</b>	<b>2,332</b>

**Total comprehensive income attributable to**

Owners of the parent	5,499	7,600	248	2,304
Non-controlling interests	188	410	158	28

**EARNINGS PER SHARE:**

- basic earnings/(loss) per share attributable to owners of the parent	0.57	0.76	0.30	0.33
- diluted earnings/(loss) per share from continuing operations attributable to owners of the parent	0.56	0.75	0.30	0.33

(PLN '000)

	Note	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		58,264	65,823
Right-of-use assets		13,574	13,508
Investment property		322	334
Goodwill	8	41,061	39,174
Intangible assets		57,237	55,984
Long-term receivables		1,529	2,104
Derivative financial instruments	10	-	151
Other financial assets		3	3
Deferred tax assets		193	95
		<b>172,184</b>	<b>177,176</b>
<b>Current assets</b>			
Inventories	6	61,374	64,401
Trade receivables		53,230	56,687
Income tax assets		353	386
Other short-term receivables	11	10,722	12,776
Derivative financial instruments	10	1	695
Other non-financial assets		2,584	4,880
Contract assets	9	103,551	101,984
Cash and cash equivalents		28,693	36,595
		<b>260,508</b>	<b>278,404</b>
<b>TOTAL ASSETS</b>		<b>432,692</b>	<b>455,581</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(PLN '000)

	Note	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>Equity</b>			
Share capital		3,616	3,616
Statutory reserve funds		201,172	205,773
Other components of equity		29,286	13,811
Hedging reserve		-1,375	-161
Translation reserve		24,160	21,541
Retained earnings		-61,766	-55,461
<b>Equity attributable to owners of the parent</b>		<b>195,093</b>	<b>189,118</b>
<b>Non-controlling interests</b>		<b>663</b>	<b>475</b>
		<b>195,756</b>	<b>189,593</b>
<b>Non-current liabilities</b>			
Borrowings		139	155
Derivative financial instruments	10	177	287
Lease liabilities		7,778	7,638
Deferred tax liabilities		17,164	14,689
Provisions for employee benefits	19	4,232	2,503
Grants for development projects		15,677	15,698
Contract liabilities	9	3,104	2,186
		<b>48,271</b>	<b>43,156</b>
<b>Current liabilities</b>			
Borrowings	13	22,578	32,858
Lease liabilities		3,558	3,577
Derivative financial instruments	10	2,856	719
Other financial liabilities		84	419
Trade payables		35,192	47,647
Other current liabilities	12	10,401	12,007
Income tax payable		144	41
Provisions for employee benefits	19	11,728	9,140
Other provisions	18	11,665	10,940
Grants for development projects		697	760
Contract liabilities	9	89,762	104,724
		<b>188,665</b>	<b>222,832</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>432,692</b>	<b>455,581</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(PLN '000)

	Jan 1–Jun 30 2020	Jan 1–Jun 30 2019
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit/(loss) before tax from continuing operations	8,683	9,243
<b>Profit/(loss) before tax</b>	<b>8,683</b>	<b>9,243</b>
<b>Total adjustments:</b>	<b>-5,682</b>	<b>-9,435</b>
Share of net profit/loss of a jointly controlled entity	-86	83
Depreciation and amortisation	5,925	4,544
Foreign exchange gains/(losses)	726	-81
Interest and profit distributions (dividends)	510	916
Gain/(loss) on investing activities	324	118
Change in currency forward contracts	1,329	276
Change in provisions	2,981	-4,429
Change in inventories	4,223	9,321
Change in receivables	7,077	10,246
Change in current liabilities (other than financial liabilities)	-16,056	-10,279
Change in grants for development projects	-362	-348
Change in contract assets and liabilities	-15,022	-22,607
Change in accruals and deferrals	2,312	1,510
Other adjustments (including management stock options)	437	1,294
<b>Income tax (paid)/refunded</b>	<b>-144</b>	<b>-73</b>
<b>Net cash from operating activities</b>	<b>2,856</b>	<b>-265</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>6,780</b>	<b>452</b>
Proceeds from disposal of intangible assets and property, plant and equipment	6,742	369
Other proceeds from financial assets	38	82
<b>Cash used in investing activities</b>	<b>4,767</b>	<b>4,886</b>
Investments in intangible assets, property, plant and equipment, and investment property	4,767	4,886
<b>Net cash from investing activities</b>	<b>2,013</b>	<b>-4,435</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by financing activities</b>	<b>9,716</b>	<b>8,481</b>
Borrowings	9,397	7,818
Grants	319	663
<b>Cash used in financing activities</b>	<b>22,162</b>	<b>25,091</b>
Repayment of borrowings	19,725	22,772
Payment of lease liabilities	1,891	1,433
Interest paid	546	886
<b>Net cash from financing activities</b>	<b>-12,447</b>	<b>-16,611</b>

<b>Total net cash</b>	<b>-7,577</b>	<b>-21,310</b>
<b>Net change in cash, including:</b>	<b>-7,902</b>	<b>-21,218</b>
- effect of exchange rate fluctuations on cash held	-325	93
<b>Cash at beginning of period</b>	<b>36,595</b>	<b>53,602</b>
<b>Cash at end of period</b>	<b>28,693</b>	<b>32,384</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Translation reserve	Retained earnings / accumulated losses	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
<b>Equity as at Jan 1 2020</b>	<b>3,616</b>	<b>205,773</b>	<b>-161</b>	<b>13,811</b>	<b>21,541</b>	<b>-55,462</b>	<b>189,119</b>	<b>475</b>	<b>189,593</b>
Profit/(loss) for period	-	-	-	-	-	5,714	5,714	169	5,884
Other comprehensive income	-	-	-1,215	-	2,620	-1,620	-215	19	-196
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-1,215</b>	<b>-</b>	<b>2,620</b>	<b>4,094</b>	<b>5,499</b>	<b>188</b>	<b>5,688</b>
Management stock options	-	-	-	475	-	-	475	-	475
Transfer of retained earnings to statutory reserve funds	-	10,399	-	-	-	-10,399	-	-	-
Capital reserve for repurchase of shares	-	-15,000	-	15,000	-	-	-	-	-
<b>Equity as at June 30th 2020 (unaudited)</b>	<b>3,616</b>	<b>201,172</b>	<b>-1,375</b>	<b>29,286</b>	<b>24,160</b>	<b>-61,767</b>	<b>195,093</b>	<b>663</b>	<b>195,756</b>
<b>Equity as at Jan 1 2019</b>	<b>3,616</b>	<b>193,449</b>	<b>-586</b>	<b>12,067</b>	<b>21,182</b>	<b>-55,358</b>	<b>174,372</b>	<b>-54</b>	<b>174,317</b>
Profit/(loss) for period	-	-	-	-	-	7,402	7,402	312	7,715
Other comprehensive income	-	-	583	-	-394	8	198	98	296
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>583</b>	<b>-</b>	<b>-394</b>	<b>7,411</b>	<b>7,600</b>	<b>410</b>	<b>8,011</b>
Management stock options	-	-	-	1,145	-	-	1,145	-	1,145
Distribution of profit (dividend)	-	-	-	-	-	-4,019	-4,019	-	-4,019
Transfer of retained earnings to statutory reserve funds	-	12,323	-	-	-	-12,323	-	-	-
<b>Equity as at June 30th 2019 (unaudited)</b>	<b>3,616</b>	<b>205,773</b>	<b>-2</b>	<b>13,212</b>	<b>20,788</b>	<b>-64,289</b>	<b>179,098</b>	<b>356</b>	<b>179,454</b>



**SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED**

**JUNE 30TH 2020**



## **I. Compliance with International Financial Reporting Standards**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation of the Minister of Finance 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 March 29th 2018 (the "Regulation").

These interim condensed consolidated financial statements do not include all the information and disclosures required to be included in full-year financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2019, authorised for issue on April 22nd 2020.

## **II. Going concern assumption and comparability of accounts**

The interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. after June 30th 2020.

In connection with the spread of SARS-CoV-2 in Poland, the Polish government announced a state of epidemic threat as of March 14th 2020, and then a state of epidemic as of March 20th 2020, and introduced far-reaching restrictions aimed at limiting the pace and extent of the epidemic. The restrictions have strongly affected the Polish businesses' ability to operate and have a material bearing on the current economic situation in Poland. For information on the impact of the COVID-19 pandemic on the Group's position, see Note 22.

Following an analysis, the Company's Management Board concludes that despite the risks and restrictions brought by the COVID-19 pandemic, there is no material threat to the Group's ability to continue as a going concern for at least 12 months from the reporting date. In formulating its position, the Management Board considered the current order book, available cash resources and current debt levels, future cash flow projections, the credit facilities in place, the funds and loans received as part of government assistance programmes, as well as the steps taken to cut indirect costs.

## **III. Events which have not but should have been disclosed in the accounting books for the reporting period**

By the date of preparation of these interim condensed consolidated financial statements for H1 2020, no events occurred which have not but should have been disclosed in the accounting records for the reporting period. In these financial statements no material events related to prior years have been disclosed.

## **IV. Basis of consolidation**

In the six months ended June 30th 2020, there were no changes in the Group's composition relative to December 31st 2019 or in the basis of consolidation.

## **V. Applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses**

These interim condensed consolidated financial statements have been prepared based on a historical cost approach, except with respect to financial derivatives, which are measured at fair value.

These interim condensed consolidated financial statements are presented in the złoty ("PLN"), and unless specified otherwise, all amounts are given in thousands of PLN. Exchange differences on translating items of the statement of financial position are calculated as differences between the exchange rates applicable to the opening and closing balance.

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with the policies applied in the preparation of the Group's full-year consolidated

financial statements for the year ended December 31st 2019, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2020.

Other new or amended standards and interpretations which have been applied for the first time in 2019 do not have a material effect on the Group's interim condensed consolidated financial statements.

#### **VI. Material judgements and assumptions**

Material judgements made by the Management Board in applying the Group's accounting policies and key sources of estimation uncertainty are the same in these interim condensed consolidated financial statements as those presented in Section VIII of the 2019 consolidated financial statements.

#### **VII. Changes in accounting policies**

Save for the changes described below and resulting from the introduction of new standards effective for reporting periods beginning on or after January 1st 2020, the same accounting policies as described in the consolidated financial statements prepared as at and for the year ended December 31st 2019 were applied by the Group in the preparation of these interim condensed consolidated financial statements.

#### **Other**

No new standards or interpretations were issued by the date of these financial statements in 2020. The amendments to standards and interpretations in 2020 did not have a material effect on the accounting policies applied by the Group.

The Company is currently analysing the effect of amendments to IAS 37 which clarify what costs should be considered in the measurement of provisions for onerous contracts. The amendments introduce an approach based on costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling a contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling the contract (an example would be the allocation of the depreciation charge for a machinery used in fulfilling the contract or the costs of project management or supervision). General and administrative expenses are not considered direct costs and are excluded from the calculation, unless the contract expressly provides that they are borne by the customer.

The Management Board does not expect any other amendments to the standards and interpretations to have any material bearing on the accounting policies applied by the Company.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE SIX MONTHS ENDED  
JUNE 30TH 2020**

## Note 1. REVENUE

Revenue from sales and total revenue and income of the Group:

Item	Jan 1–Jun 30 2020	Jan 1–Jun 30 2019	Apr 1–Jun 30 2020	Apr 1–Jun 30 2019
Revenue from sale of finished goods and services	191,250	225,886	91,242	118,333
- including revenue recognised over time	151,668	180,326	78,471	84,880
Revenue from sale of merchandise and materials	1,521	5,499	531	2,032
<b>TOTAL revenue</b>	<b>192,771</b>	<b>231,385</b>	<b>91,773</b>	<b>120,365</b>

Revenue by geographical markets:

Item	Jan 1–Jun 30 2020	Jan 1–Jun 30 2019	Apr 1–Jun 30 2020	Apr 1–Jun 30 2019
European Union	59,327	79,380	26,713	41,174
Commonwealth of Independent States	17,347	3,215	10,570	1,583
USA	58,982	84,041	27,663	48,466
Asia	51,007	52,692	25,756	23,179
Other	6,108	12,057	1,069	5,962
<b>TOTAL revenue</b>	<b>192,772</b>	<b>231,385</b>	<b>91,773</b>	<b>120,365</b>

The decline in revenues in the European Union and the United States is mainly due to restricted ability to execute orders for customers as a consequence of restrictions imposed by governments to prevent the spread of the COVID-19 pandemic. The increase in revenue generated by the Commonwealth of Independent States segment is due to a change in the geographical structure of customers.

All revenue is recognised by the Group in accordance with IFRS 15.

## Note 2. OPERATING SEGMENTS

The Group's principal business activity consists in manufacture of five key groups of products: vacuum furnaces, aluminium heat exchanger brazing systems, aluminium heat treatment systems and metallurgy equipment used for melting, and vacuum casting of metals and specialty alloys. In accordance with the Company's management accounts, a separate aftersales segment has also been established. The SECO/WARWICK Group's operations are divided into five core business segments corresponding to the product groups:

### Vacuum furnaces

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces are used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing.

### Melting furnaces

Vacuum melting furnaces are used in the metallurgical industry for consolidation, smelting and refining of specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g.

tantalum). Their physical properties require processing in technologically advanced equipment and in high vacuum conditions.

A separate group of melting furnaces are melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines and medical implants).

#### **Atmosphere Furnaces (Thermal)**

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for thermochemical treatment are used for gas carburising, gas nitriding and in other processes. Such furnaces are used chiefly in the automotive and metal industries, including for the manufacturing of roller bearings, as well as in commercial hardening plants and specialty industries.

#### **Aluminium heat treatment systems (Aluminium Process)**

The Aluminium Process solutions offered by the Group are used in the manufacturing of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. Aluminium Process systems are also used to heat treat aluminium castings. CAB systems are used primarily in the automotive industry for brazing of heat exchangers mounted in passenger cars and heavy goods vehicles (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive industry, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

#### **Aftersales**

The Aftersales Segment offers conversion, upgrades and modification of customer-owned equipment, including equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersale services.

In the case of the business lines (vacuum furnaces, melting furnaces, atmosphere furnaces, aluminium heat treatment lines), contracts with customers provide for the design, manufacture and installation of metal heat treatment equipment, as well as sale of spare parts and maintenance services.

Equipment of this type is often dependent on the customer's infrastructure, such as existing units and foundations. Furthermore, the design process of a unit is highly complex given the need to set up the equipment parameters in line with the customer's expectations.

Therefore, the vast majority of the segments' revenue is recognised throughout contract performance. In the case of aftersales, revenue is recognised upon service completion or product transfer.

Jan 1–Jun 30 2020	Continuing operations						Other	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total		
<b>Total segment revenue</b>	50,993	14,239	25,904	57,139	44,503	192,777	-6	192,771
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-38,678	-12,600	-18,553	-47,480	-29,025	-146,336	-1,489	-147,825
<b>Gross profit/(loss)</b>	12,315	1,639	7,351	9,659	15,478	46,442	-1,495	44,947

Apr 1–Jun 30 2020	Continuing operations						Other	Total
	Vacuum Furnaces	Atmosphere Furnaces (Thermal)	Aluminium Process	Melting Furnaces	Aftersales	Total		
<b>Total segment revenue</b>	23,275	4,644	7,787	34,789	21,283	91,779	-6	91,773
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-18,142	-3,785	-5,202	-27,712	-13,049	-67,890	404	-67,486
<b>Gross profit/(loss)</b>	5,133	859	2,585	7,077	8,234	23,888	398	24,286

Jan 1–Jun 30 2019	Continuing operations						Other	Total
	<i>Vacuum Furnaces</i>	<i>Atmosphere Furnaces (Thermal)</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales</i>	<i>Total</i>		
<b>Total segment revenue</b>	65,258	28,925	37,574	60,582	38,957	231,296	89	231,385
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-48,903	-25,677	-24,469	-52,358	-24,507	-175,913	-1,460	-177,373
<b>Gross profit/(loss)</b>	16,355	3,248	13,104	8,225	14,450	55,383	-1,371	54,011

Apr 1–Jun 30 2019	Continuing operations						Other	Total
	<i>Vacuum Furnaces</i>	<i>Atmosphere Furnaces (Thermal)</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales</i>	<i>Total</i>		
<b>Total segment revenue</b>	33,394	14,226	16,794	36,510	19,404	120,327	38	120,365
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	-24,612	-12,699	-10,784	-30,855	-11,488	-90,438	-67	-90,505
<b>Gross profit/(loss)</b>	8,781	1,526	6,010	5,655	7,916	29,889	-29	29,860

### Note 3. OTHER INCOME AND EXPENSES

<b>OTHER INCOME</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Reversal of provisions	-	552	-	402
Gain on disposal of property, plant and equipment	314	337	350	47
Licence revenue	206	206	103	206
Penalties and compensation received	83	-	-	-
Income from lease of property, plant and equipment and investment property	497	465	308	221
Grant for development work	341	341	171	201
Impairment losses on property, plant and equipment	3	-	3	-
Accounting for lease liabilities in connection with return of cars	70	-	70	-
Other	104	104	249	92
<b>Total other income</b>	<b>1,618</b>	<b>2,006</b>	<b>1,254</b>	<b>1,310</b>

<b>OTHER EXPENSES</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Inventory write-downs	357	-	7	-
Loss on disposal of property, plant and equipment	-	29	-	23
Court expenses, compensation/damages, penalties	66	426	28	193
Cost related to income from lease of property, plant and equipment	210	155	105	84
Donations	10	6	10	6
Other	287	209	42	-34
<b>Total other expenses</b>	<b>930</b>	<b>826</b>	<b>194</b>	<b>272</b>

<b>Impairment of receivables and contract assets</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Impairment of receivables	518	1,399	518	1,494
Impairment of contract assets	-	-	-	-
<b>Impairment of receivables and contract assets</b>	<b>518</b>	<b>1,399</b>	<b>518</b>	<b>1,494</b>

### Note 4. FINANCE INCOME AND COSTS

<b>FINANCE INCOME</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Interest income	159	164	66	31
Net gain/(loss) on derivative instruments	-	232	-	453
Net foreign exchange gains	2,821	-	-	-
Other	170	-	170	168
<b>Total finance income</b>	<b>3,149</b>	<b>396</b>	<b>236</b>	<b>652</b>



<b>FINANCE COSTS</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Interest paid	569	1,010	225	469
Interest on leases	359	180	186	94
Impairment losses on shares in OOO SCT	-	74	-	74
Net gain/(loss) on derivative instruments	3,007	-	1,268	-
Net foreign exchange losses	-	397	1,636	1,409
Other	115	110	73	-
<b>Total finance costs</b>	<b>4,050</b>	<b>1,771</b>	<b>3,386</b>	<b>2,045</b>

#### Note 5. IMPAIRMENT LOSSES ON ASSETS

<b>Impairment losses as at</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
Trade receivables	15,766	15,174
Goodwill	44,946	44,946
Inventories	6,839	7,714
Contract assets	577	577
Tangible assets	-	866

<b>IMPAIRMENT LOSSES ON TRADE RECEIVABLES</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
<b>As at beginning of period</b>	<b>15,174</b>	<b>12,376</b>
Increase	518	3,141
Use (-)	-	-85
Net exchange differences on translating financial statements into presentation currency	74	-258
<b>As at end of period</b>	<b>15,766</b>	<b>15,174</b>

#### Note 6. INVENTORIES

<b>Item</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
Materials	24,768	26,303
Semi-finished products and work in progress	28,610	32,996
Finished goods	7,360	4,339
Merchandise	637	763
<b>Total inventories (carrying amount)</b>	<b>61,374</b>	<b>64,401</b>
Inventory write-downs	6,839	7,714
<b>Gross inventories</b>	<b>68,213</b>	<b>72,115</b>

<b>WRITE-DOWNS</b>	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	<b>Total</b>
<b>Jan 1 2020</b>	<b>2,058</b>	<b>5,652</b>	-	<b>5</b>	<b>7,714</b>
<b>Increase, including:</b>	<b>357</b>	-	-	-	<b>357</b>
- write-downs recognised in correspondence with other expenses	357	-	-	-	357
<b>Decrease, including:</b>	<b>1,201</b>	<b>31</b>	-	-	<b>1,232</b>
- use	1,201	-	-	-	1,201
Net exchange differences on translating financial statements into presentation currency	-	31	-	-	31
<b>Jun 30 2020</b>	<b>1,214</b>	<b>5,621</b>	-	<b>5</b>	<b>6,839</b>
<b>Jan 1 2019</b>	<b>279</b>	<b>5,990</b>	-	<b>5</b>	<b>6,273</b>
<b>Increase, including:</b>	<b>216</b>	-	<b>90</b>	-	<b>306</b>
- write-downs recognised in correspondence with other expenses	216	-	90	-	306
<b>Decrease, including:</b>	-	<b>11</b>	-	-	<b>11</b>
Net exchange differences on translating financial statements into presentation currency	-	11	-	-	11
<b>Jun 30 2019</b>	<b>495</b>	<b>5,979</b>	<b>90</b>	<b>5</b>	<b>6,568</b>
<b>Jan 1 2019</b>	<b>279</b>	<b>5,990</b>	-	<b>5</b>	<b>6,273</b>
<b>Increase, including:</b>	<b>1,779</b>	-	-	-	<b>1,779</b>
- write-downs recognised in correspondence with other expenses	1,779	-	-	-	1,779
<b>Decrease, including:</b>	-	<b>338</b>	-	-	<b>338</b>
- use	-	323	-	-	323
Net exchange differences on translating financial statements into presentation currency	-	15	-	-	15
<b>Dec 31 2019</b>	<b>2,058</b>	<b>5,652</b>	-	<b>5</b>	<b>7,714</b>

## Note 7. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

On April 22nd 2020, the Supervisory Board gave a positive assessment of the Management Board's proposal to allocate SECO/WARWICK S.A.'s total net profit for 2019, of PLN 10,619,707.32 (ten million, six hundred and nineteen thousand, seven hundred and seven zloty, 32/100), to the Company's statutory reserve funds.

On June 5th 2020, the Annual General Meeting decided to retain the Company's net profit for 2019 and allocate it in full to the Company's statutory reserve funds.

## Note 8. GOODWILL

Item	Jun 30 2020	Dec 31 2019
Consolidation goodwill at beginning of period	39,175	38,817
Exchange differences on translation of goodwill	1,886	358
<b>Total goodwill at end of period</b>	<b>41,061</b>	<b>39,175</b>

Following identification of impairment indications relating to the COVID-19 pandemic, i.e. the continuing economic downturn, mainly on the US market, the restrictions in place, as well as a significant decline in sales in the first half of 2020, the Parent carried out an impairment test for goodwill arising from the acquisition of subsidiary Retech Systems LLC. The tests revealed no goodwill impairment. The recoverable amount attributable to the cash-generating unit was determined based on its calculated value in use.

The recoverable amount was determined based on future cash flow projections according to an updated 2020 budget and projections covering the next four years. The projections reflect the management's business experience to date and analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

Item	Retech Systems LLC (USA)
Average discount rate (pre-tax)	11.93%
Average revenue growth rate	8.69%
Growth rate after the forecast period	2.00%
Goodwill	39,248
Net assets	28,118
Value of cash generating unit	67,366
Recoverable amount	67,682
Goodwill impairment (PLN '000)	NO

### Other important assumptions for the calculation of the value in use:

Estimates of the value in use of a cash-generating unit are sensitive to changes of the following variables:

- Free cash flows,
- Discount rates,
- Market share in the forecast period.

Free cash flows are estimated based on historical data concerning individual cash-generating units and forecast operating profit, depreciation and amortisation, replacement capital expenditure, changes in non-cash current assets and non-financial liabilities.

Discount rate – the weighted average cost of capital (WACC) was used as a discount rate for the purposes of the impairment tests; WACC was adjusted on a case-by-case basis for premiums and discounts related to risks specific to a given tested asset (as well as for country risk and differences in the inflation rates expected in the countries in which the individual companies of the Seco/Warwick Group operate).

Growth rates are estimated based on the published findings of industry research.

Market assumptions – these assumptions are important because, in addition to the use of industry data for growth rates, the management assesses how the assets and financial position of individual cash-generating units may change during the financial period against competitors. The management expects the market share to remain stable over the forecast period.

#### Sensitivity to changes of assumptions

In testing goodwill for impairment, the recoverable amount was simulated with changed discount rates in the years 2020-2024 for each company:

Item	Recoverable amount	
	Retech (USA)	
<i>Discount rates assumed in the test</i>	67,682	
<i>+1/-1% change in discount rate</i>	-5,977	+7,238
<i>change in average revenue growth rate: +10/-10%</i>	13,958	-15,736
<i>change in growth rate after forecast period +1/-1%</i>	4,865	-3,975

At the end of 2019, the recoverable amount was determined based on future cash flow projections according to the 2020 budget and projections covering the next four years. The projections reflect the management's business experience to date and analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the period of detailed projections:

Item	Retech Systems LLC (USA)	SECO/WARWICK Germany GmbH (Germany)
<i>Average discount rate (pre-tax)</i>	11.93%	13.90%
<i>Average revenue growth rate</i>	-9.01%	13.19%
<i>Growth rate after the forecast period</i>	2.00%	2.00%
<i>Goodwill</i>	37,445	1,729
<i>Net assets</i>	26,826	-8,129
<i>Value of cash generating unit</i>	64,271	-6,400
<i>Recoverable amount</i>	69,226	-4,431
<i>Goodwill impairment (PLN '000)</i>	NO	NO

#### Sensitivity to changes of assumptions

In testing goodwill for impairment, a projection was made of the recoverable amount for different discount rate levels in the years 2020–2024, for each company covered by the impairment test.

Item	Recoverable amount	
	SWG (Germany)	
<i>Discount rates assumed in the test</i>	-4,431	
<i>+1/-1% change in discount rate</i>	-433	510
<i>change in average revenue growth rate: +10/-10%</i>	6,876	-5,023
<i>change in growth rate after forecast period +1/-1%</i>	356	-300

Item	Recoverable amount	
	Retech (USA)	
<i>Discount rates assumed in the test</i>	69,226	
<i>+1/-1% change in discount rate</i>	-6,253	+7,571
<i>change in average revenue growth rate: +10/-10%</i>	19,273	-15,404
<i>change in growth rate after forecast period +1/-1%</i>	5,086	-4,156

#### Note 9. CONTRACT ASSETS/LIABILITIES

The Group recognised the following assets and liabilities under contracts with customers:

Recognised in the consolidated financial statements as amounts due:	Jun 30 2020	Dec 31 2019
From customers under construction contracts	103,551	101,984
To customers under construction contracts	-92,866	-106,910
	10,685	-4,926

#### Contract assets

Contract assets reflect the amounts payable by customers in connection with provision of services or delivery of equipment.

In the Group's opinion, there is no concentration of credit risk related to contract assets due to a large and diversified asset base. The Company's maximum exposure to credit risk at the end of the reporting period corresponds to the carrying amount of these assets.

Changes in contract assets in the six months ended June 30th 2020 were as follows:

	Jan 1–Jun 30 2020	Jan 1–Dec 31 2019
<b>Opening balance</b>	<b>101,984</b>	<b>102,524</b>
Increase	97,293	334,806
Invoiced amounts transferred to trade receivables	-96,515	-335,543
Exchange differences	788	197
<b>Closing balance</b>	<b>103,551</b>	<b>101,984</b>

As at June 30th 2020, the rate of expected credit losses for contract assets was 0.52%.As the amount of expected credit losses did not change materially, impairment loss as at June 30th 2020 remained unchanged.

## Contract liabilities

Contract liabilities of approximately PLN 48,098 thousand as at January 1st 2020 were recognised as revenue generated in the six months ended June 30th 2020.

As at June 30th 2020, the transaction price allocated to unsatisfied performance obligations under contracts with customers was PLN 92,866 thousand. The following table shows the time periods during which the Company expects to satisfy those performance obligations and recognise related revenue.

	Jun 30 2020	Dec 31 2019
Up to 1 year	89,762	104,724
1–2 years	3,104	2,186
Over 2 years	-	-
<b>Total unsatisfied performance obligations</b>	<b>92,866</b>	<b>106,910</b>

## Note 10. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2020		Dec 31 2019	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	1	3,033	846	1,005
<b>Total hedging instruments</b>				
- non-current	-	177	151	287
- current	1	2,856	695	719

## Disclosures of derivative financial instruments which qualify for hedge accounting

In the first half of 2020, SECO/WARWICK S.A. used currency forwards to hedge on average 60% of its export cash flows denominated in EUR and 50% of its cash flows denominated in USD. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the amount of EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if the criteria provided for in IAS 39:88 are met.

The valuation of derivative instruments as at the reporting date is recognised in equity. If a transaction which has been hedged with a currency forward affects profit or loss, the valuation previously recognised in equity is reclassified to profit or loss. Given that transactions in derivative instruments are entered into to hedge concluded long-term contracts (accounted for based on the stage of completion measured by reference to contract costs incurred), the Group assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract. The Group further assumed that the measurement of derivative instruments as at the reporting date provided by partner banks reliably reflect the fair value of its currency forwards, and so this amount was disclosed in its accounting records. The effectiveness of a transaction is assessed by comparing the maturity dates and notional amounts of the hedged item and the hedging instrument.

The table below presents total values of hedging relationships open as at June 30th 2020.

<b>Jun 30 2020</b>	<b>Notional amount of contract (EUR '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Jun 30 2020</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	53,904	22,558	18,547	-1,818	-504	-1,314	Jul 31 2020–Jan 31 2022

<b>Jun 30 2020</b>	<b>Notional amount of contract (USD '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Jun 30 2020</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (cumulative) (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	18,056	10,711	6,810	-1,214	-828	-386	Jul 31 2020–Mar 15 2021

The table below presents total values of hedging relationships open as at December 31st 2019.

<b>Dec 31 2019</b>	<b>Notional amount of contract (EUR '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Dec 31 2019</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	53,839	20,368	13,618	258	167	91	Jan 31 2020 – Jan 31 2022

<b>Dec 31 2019</b>	<b>Notional amount of contract (USD '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Dec 31 2019</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	43,406	24,502	10,579	-417	-368	-49	Jan 31 2020 – Mar 15 2021



**Note 11. OTHER SHORT-TERM RECEIVABLES**

<b>Item</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
receivables under prepayments	2,012	6,061
tax, custom duties, social security, health insurance and other benefits receivables	2,171	5,063
receivables from sale of property, plant and equipment	2,926	-
receivables from sale of S/W Brasil shares	1,929	1,534
other receivables, including bid bond	1,684	118
<b>Total other short-term receivables</b>	<b>10,722</b>	<b>12,776</b>

**Note 12. OTHER CURRENT LIABILITIES**

<b>Item</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
Taxes, customs duties, social security and other charges payable	4,077	5,164
Salaries and wages payable	4,192	4,523
Other liabilities	2,132	2,319
<b>Total current liabilities</b>	<b>10,401</b>	<b>12,006</b>

**Note 13. BORROWINGS**

<b>Borrowings</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
Overdrafts	22,462	31,049
Investment credit facility	-	1,565
Credit card limits	116	245
<b>Total</b>	<b>22,578</b>	<b>32,858</b>

**Borrowings**

<b>As at Dec 31 2019</b>	<b>32,858</b>
<b>Increase, including:</b>	-
- bank loans contracted	-
<b>Decrease, including:</b>	<b>10,280</b>
- repayment of overdrafts	8,587
- repayment of investment credit facility	1,565
- repayment of credit card limits	129
<b>As at Jun 30 2020</b>	<b>22,578</b>

**Note 14. CORRECTIONS OF ERRORS**

No error corrections were made in H1 2020.

**Note 15. OFF-BALANCE-SHEET ITEMS****Contingent liabilities**

As at June 30th 2020, contingent liabilities under performance bonds (bank guarantees) issued amounted to PLN 59,531 thousand (end of 2019: PLN 44,563 thousand).

**Note 16. SETTLEMENTS RELATED TO COURT CASES**

For detailed information on litigation that the Group is involved in, see Note 34 to the consolidated financial statements for the period ended December 31st 2019. By the date of issue of these financial statements, the Company had not received any additional information in this respect.

**Note 17. MATERIAL INFORMATION ON RELATED PARTIES**

There were no material transactions with non-consolidated related parties.

**Note 18. OTHER PROVISIONS**

<b>Item</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
Provision for warranty repairs	10,586	9,784
Provision for contracts delivered with a loss	895	986
Other provisions	185	170
<b>Other provisions</b>	<b>11,666</b>	<b>10,940</b>

**Note 19. PROVISIONS FOR EMPLOYEE BENEFITS**

<b>Short-term provisions for employee benefits</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
- accrued holiday entitlements	3,748	3,844
- accrued bonuses	7,181	5,273
- retirement bonus obligation	800	23
<b>Employee benefit obligations</b>	<b>11,729</b>	<b>9,139</b>

<b>Long-term provisions for employee benefits</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Dec 31 2019</b>
at beginning of period	<b>2,504</b>	<b>2,808</b>
increase	1,728	470
- recognition	1,728	470
used	-	-
reversal	-	775
<b>at end of period</b>	<b>4,232</b>	<b>2,504</b>

Item	Jan 1–Jun 30 2020	Jan 1 -Dec 31 2019
<b>Change in plan's obligation</b>		
<b>Obligation as at beginning of period</b>	<b>15,524</b>	<b>14,510</b>
Administration costs	-	-
Interest expense	457	559
Actuarial gain/(loss)	1,257	1,375
Benefits paid	-594	-1,067
Effect of currency translation on presentation currency	736	147
<b>Obligation as at end of period</b>	<b>17,380</b>	<b>15,524</b>
<b>Change in plan's assets</b>		
<b>Fair value of plan's assets at beginning of period</b>	<b>15,006</b>	<b>13,129</b>
Interest income/(loss) on plan's assets	441	510
Additional gain/(loss) on plan's assets	-363	2,336
Contributions paid	-	-
Benefits paid	-594	-1,080
Effect of currency translation on presentation currency	727	111
<b>Fair value of plan's assets at end of period</b>	<b>15,217</b>	<b>15,006</b>

#### **Note 20. FAIR VALUE HIERARCHY**

All financial instruments are classified by the Group at level 2 of the fair value hierarchy. The method and technique used to measure financial instruments at fair value are the same as those applied as at December 31st 2019. Both in the reporting period and the comparative period, there were no transfers between the levels of fair value hierarchy of financial instruments at the Group, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

There are no material differences between the carrying amount and the fair value of any of the financial assets and liabilities.

#### **Note 21. SEASONALITY OR CYCLICALITY OF BUSINESS IN THE REPORTING PERIOD**

The SECO/WARWICK Group's business is not exposed to any significant seasonal or cyclical fluctuations.

#### **Note 22. EVENTS NON-TYPICAL DUE TO THEIR NATURE, SCALE OR FREQUENCY**

At the end of 2019, the first news was received of the spread of the SARS-CoV-2 virus, causing the COVID-19 disease, in China. In the first months of 2020, the virus spread across the world, and its adverse impacts are being felt in many countries.

In connection with the spread of SARS-CoV-2 in Poland, the Polish government announced a state of epidemic threat as of March 14th 2020, and then a state of epidemic as of March 20th 2020, and introduced far-reaching restrictions aimed at limiting the pace and extent of the epidemic. Similar precautionary measures were implemented in most of the affected countries, including in the world's largest economies. The restrictions have strongly affected business organisations' ability to operate and have a material bearing on the current economic situation. It should also be pointed out that the epidemic threat is driving a strong volatility on stock exchange and currency markets, unavailability of certain goods and services, as well as the risk of disruption to global supply chains of key importance to specialised industrial production activities.

The Company has identified the following as the main risks that may affect the Group's operations and financial performance in the coming periods:

- (i) the risk of reduced order volumes (including a marked decline in major contracts, postponement of deliveries, and partial or complete cancellation of certain orders) and, as a result, of reduced or considerably deferred sales;
- (ii) discontinuation of capital expenditures by the Group's key customers;
- (iii) reintroduction of labour and travel restrictions in China, Europe and the United States, which could delay the performance of contracts concluded by the Group companies by hampering selling efforts and the ability to put equipment into operation and perform maintenance services;
- (iv) aggravation of the crisis in the automotive and aviation sectors,
- (v) difficulties in the performance of contracts resulting from the introduction of a remote work system to protect employees' health and life against COVID-19;
- (vi) potential impediments in the Group's cooperation with its key suppliers of raw materials and components.

With respect to the Company and other Group companies, the negative impact of the epidemic to date has involved primarily a reduction in the number and value of new orders placed by the Company's trading partners. The Company's Management Board is closely monitoring the global business environment to identify trends that may potentially lead to suspension of delivery (i.e. deferral of income) or, in extreme cases, partial or complete cancellation of certain orders in the backlog as at the reporting date. This may result in a significant deferral or loss of all or some revenue from contracts (partly offset by liquidated damages, if any, paid to Group companies) and in lower cash flows than expected.

The Company's Management Board took steps to mitigate the adverse effect of the situation on the Company's and the Group's operations and financial performance, while taking steps to ensure safety of the employees and trading partners.

On April 1st 2020, in consultation with trade unions, the Company reduced employees' working hours to 80%, with pro rata cuts of the pay amounts. The Company's employees confirmed their readiness to work reduced hours and to accept the proportionate pay reductions. Full working time was reinstated on August 1st 2020. A Covid19 team has been established to mitigate the effects and risks of the epidemic. Procedures and policies have been put in place, including a rotational work system with a home office option for most of the Company's employees, to minimise the risk of infection among staff. In the case of the departments in which remote work is not possible, an equivalent working time has been introduced.

The Company also decided to apply for aid under various financial assistance and business support programmes as introduced on some of the Group's markets. In the first half of 2020, SECO/WARWICK S.A. and SECO/WARWICK Services received three tranches of employee compensation subsidies totalling PLN 3.4m as part of the anti-crisis shield package in connection with reduced working hours. SWR in China received tax credits of PLN 1.1m and the Group companies based in the US received almost USD 1.6m under the PayCheck Protection Program for small and medium-sized companies. Loans granted under the PayCheck Protection Program may qualify for full or partial forgiveness subject to certain terms and conditions. At present, the companies are preparing forgiveness requests.

Based on its best knowledge, the Company's Management Board does not expect any rise in the number of court disputes, any penalties imposed for contract performance delays, contract terminations, or insolvencies of the Company's customers. The Management Board monitors and analyses on an ongoing basis the situation, the value of orders, and the stage of completion of contracts, to undertake activities to secure the Company's operations if necessary. The Management Board analysed indications of goodwill impairment and, based on the analysis, impairment tests were carried out with respect to goodwill recognised upon the acquisition of Retech Systems LLC.

So far, the Group has not experienced any significant problems with the availability of feedstocks, materials or goods. The Company's Management Board will continue to monitor the potential impact of the epidemic and take all reasonable steps to mitigate its negative effects on the Company and other Group companies.

**Note 23. MATERIAL EVENTS WHICH OCCURRED AFTER THE END OF THE REPORTING PERIOD AND ARE NOT DISCLOSED IN THESE FINANCIAL STATEMENTS**

No such events occurred.

**Note 24. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD**

Remuneration of the Management Board:

Name and surname	Base salary for period	Other benefits, including bonuses, awards	Accrued incentive scheme costs	Total remuneration for the period
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
<b>Jun 30 2020</b>				
Sławomir Woźniak	216	219	66	500
Jarosław Talerzak	176	71	10	257
Piotr Walasek	162	87	23	271
Bartosz Klinowski	162	68	195	425
Earl Good <sup>(4)</sup>	558	-	-	558
<b>Total</b>	<b>1,273</b>	<b>444</b>	<b>294</b>	<b>2,011</b>
<b>Jun 30 2019</b>				
Sławomir Woźniak	204	165	296	666
Paweł Wyrzykowski <sup>(1)</sup>	182	809	40	1,032
Jarosław Talerzak <sup>(2)</sup>	33	2	10	45
Piotr Walasek <sup>(3)</sup>	30	1	97	127
Bartosz Klinowski	165	235	421	820
Earl Good <sup>(4)</sup>	574	-	68	642
<b>Total</b>	<b>1,187</b>	<b>1,212</b>	<b>933</b>	<b>3,332</b>

<sup>(1)</sup> The remuneration amount relates to the term of office on the Management Board: from January 1st 2019 to June 4th 2019.

<sup>(2)</sup> Mr Jarosław Talerzak was appointed Vice President of the Management Board on June 5th 2019.

<sup>(3)</sup> Mr Piotr Walasek was appointed Member of the Management Board on June 5th 2019.

<sup>(4)</sup> Under an employment contract between Retch and Mr Earl Good. Mr Earl Good was appointed Member of the Management Board on June 5th 2019.

Remuneration of the Supervisory Board:

	Jun 30 2020	Jun 30 2019
Andrzej Zawistowski	91	115
- for his service as Chairman of the Supervisory Board	62	60
- under contract for advisory services <sup>(1)</sup>	30	55
Jeffrey Boswell (2)	86	82

Henryk Pilarski	24	27
Marcin Murawski	19	21
Jacek Tucharz	19	21
<b>Total</b>	<b>239</b>	<b>266</b>

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as USŁUGI DORADCZE Andrzej Zawistowski. The contract of July 2nd 2012 is for the provision of technical and product development advisory services.

(2) Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.



**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS**  
**FOR THE PERIOD JANUARY 1ST-JUNE 30TH 2020**

**INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

(PLN '000)

	Not e	Jan 1–Jun 30 2020 (unaudited )	Jan 1–Jun 30 2019 (unaudited )	Apr 1–Jun 30 2019 (unaudited )	Apr 1–Jun 30 2019 (unaudited )
Revenue from sale of finished goods and services		121,521	130,957	57,119	62,210
Revenue from sale of merchandise and materials		3	8	1	1
<b>Revenue</b>	1.2	<b>121,525</b>	<b>130,965</b>	<b>57,119</b>	<b>62,211</b>
Cost of finished goods sold and services rendered		-94,116	-104,002	-42,694	-49,066
Cost of merchandise and materials sold		-18	-7	-15	-
<b>Cost of sales</b>	2	<b>-94,134</b>	<b>-104,009</b>	<b>-42,710</b>	<b>-49,066</b>
<b>Gross profit/(loss)</b>		<b>27,391</b>	<b>26,956</b>	<b>14,410</b>	<b>13,145</b>
Other income	3	1,511	1,426	881	723
Distribution costs		-4,704	-7,748	-2,429	-4,647
Administrative expenses		-11,904	-10,919	-6,073	-5,670
Impairment of receivables and contract assets	3	-1,496	-189	-1,496	-268
Other expenses	3	-659	-841	-123	-344
<b>Operating profit/(loss)</b>		<b>10,139</b>	<b>8,685</b>	<b>5,169</b>	<b>2,939</b>
Finance income	4	3,430	412	47	489
Finance costs	4	-3,610	-1,319	-3,157	-1,012
<b>Profit/(loss) before tax</b>		<b>9,959</b>	<b>7,778</b>	<b>2,059</b>	<b>2,415</b>
Income tax		-2,409	-1,525	-805	-499
Net profit/(loss) from continuing operations		7,550	6,253	1,253	1,916
<b>Net profit/(loss)</b>		<b>7,550</b>	<b>6,253</b>	<b>1,253</b>	<b>1,916</b>
<b>OTHER COMPREHENSIVE INCOME:</b>					
<b>Items which may be reclassified to profit/(loss) in subsequent reporting periods</b>					
Valuation of cash flow hedging derivatives		-1,500	721	1,642	777
Income tax on other comprehensive income		285	-137	-312	-147
<b>Total other comprehensive income, net</b>		<b>-1,215</b>	<b>584</b>	<b>1,331</b>	<b>630</b>
<b>Total comprehensive income</b>		<b>6,335</b>	<b>6,837</b>	<b>2,584</b>	<b>2,546</b>
Earnings/(loss) per share (PLN):					
- basic earnings/(loss) per share attributable to owners of the parent		0.76	0.64	0.13	0.20
- diluted earnings/(loss) per share attributable to owners of the parent		0.74	0.63	0.12	0.19



**INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION**  
(PLN '000)

	Note	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		51,410	52,745
Right-of-use assets		11,137	11,174
Investment property		322	334
Intangible assets		56,326	55,072
Long-term receivables		4,027	2,072
Investments in related entities	5	58,422	58,422
Derivative financial instruments	7	-	151
Other financial assets		3	3
Contract costs		2,403	2,981
		<b>184,050</b>	<b>182,954</b>
<b>Current assets</b>			
Inventories		24,139	31,939
Trade receivables		50,733	58,571
Other short-term receivables		6,152	8,278
Derivative financial instruments	7	1	695
Other financial assets		2,000	2,000
Other non-financial assets		1,382	2,740
Contract costs		3,255	3,255
Contract assets		67,413	73,295
Cash and cash equivalents		13,241	23,099
		<b>168,317</b>	<b>203,871</b>
<b>TOTAL ASSETS</b>		<b>352,367</b>	<b>386,824</b>

**INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION**  
(PLN '000)

	Note	Jun 30 2020 (unaudited)	Dec 31 2019 (audited)
<b>Equity</b>			
Share capital		3,616	3,616
Statutory reserve funds		136,991	141,372
Hedging reserve		-1,375	-161
Other components of equity		29,286	13,811
Retained earnings		29,165	32,235
		<b>197,683</b>	<b>190,873</b>
<b>Non-current liabilities</b>			
Lease liabilities		6,386	6,331
Derivative financial instruments	7	177	287
Deferred tax liabilities		8,387	6,307
Provisions for employee benefits		1,243	1,243
Grants for development projects		15,677	15,698
Contract liabilities		3,104	1,777
		<b>34,974</b>	<b>31,644</b>
<b>Current liabilities</b>			
Borrowings	10	12,080	27,418
Lease liabilities		2,480	2,591
Derivative financial instruments	7	2,856	719
Trade payables	8	34,461	42,781
Other current liabilities	8	7,200	8,363
Provisions for employee benefits	9	7,974	5,976
Other provisions		8,036	7,596
Grants for development projects		697	718
Contract liabilities		43,926	68,145
		<b>119,710</b>	<b>164,308</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>352,367</b>	<b>386,824</b>

**INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS**  
(PLN '000)

	Jan 1–Jun 30 2020	Jan 1–Jun 30 2019
	(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>		
<b>Profit/(loss) before tax</b>	<b>9,959</b>	<b>7,778</b>
<b>Total adjustments:</b>	<b>821</b>	<b>-2,184</b>
Depreciation and amortisation	3,890	3,037
Foreign exchange gains/(losses)	325	-90
Interest and profit distributions (dividends)	395	809
Gain/(loss) on investing activities	529	48
Change in provisions	2,438	-2,278
Change in inventories	7,799	883
Change in receivables	8,009	7,828
Change in current liabilities (other than financial liabilities)	-8,860	-13,434
Change in grants for development projects	-362	-348
Change in contract assets and liabilities	-16,433	-1,293
Change in accruals and deferrals	1,358	1,233
Change in currency forward contracts	1,329	276
Other adjustments (including management stock options)	405	1,145
<b>Income tax (paid)/refunded</b>	<b>-</b>	<b>-</b>
<b>Net cash from operating activities</b>	<b>10,780</b>	<b>5,593</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activities</b>	<b>66</b>	<b>96</b>
Proceeds from disposal of intangible assets and property, plant and equipment	36	56
Decrease in loans advanced	30	40
<b>Cash used in investing activities</b>	<b>3,986</b>	<b>5,541</b>
Investments in intangible assets, property, plant and equipment, and investment property	3,986	4,804
Share capital increase at subsidiaries	-	737
<b>Net cash from investing activities</b>	<b>-3,921</b>	<b>-5,445</b>
<b>FINANCING ACTIVITIES</b>		
<b>Cash provided by financing activities</b>	<b>319</b>	<b>663</b>
Grants	319	663
<b>Cash used in financing activities</b>	<b>16,711</b>	<b>19,995</b>
Repayment of borrowings	15,338	18,074
Payment of lease liabilities	948	1,112
Interest paid	425	809
<b>Net cash from financing activities</b>	<b>-16,392</b>	<b>-19,332</b>
<b>Total net cash</b>	<b>-9,533</b>	<b>-19,183</b>
<b>Net change in cash, including:</b>	<b>-9,858</b>	<b>-19,090</b>
- effect of exchange rate fluctuations on cash held	-325	93
<b>Cash at beginning of period</b>	<b>23,099</b>	<b>39,770</b>
<b>Cash at end of period</b>	<b>13,241</b>	<b>20,680</b>

**INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY**  
(PLN '000)

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Retained earnings / accumulated losses	Total equity
<b>Equity as at Jan 1 2020 (audited)</b>	<b>3,616</b>	<b>141,371</b>	<b>-161</b>	<b>13,811</b>	<b>32,235</b>	<b>190,873</b>
Profit/(loss) for period	-	-	-	-	7,550	<b>7,550</b>
Other comprehensive income	-	-	-1,215	-	-	<b>-1,215</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-1,215</b>	<b>-</b>	<b>7,550</b>	<b>6,335</b>
Transfer of retained earnings to statutory reserve funds	-	10,620	-	-	-10,620	-
Management stock options	-	-	-	475	-	<b>475</b>
Capital reserve for repurchase of shares	-	-15,000	-	15,000	-	-
<b>Equity as at June 30th 2020 (unaudited)</b>	<b>3,616</b>	<b>136,991</b>	<b>-1,376</b>	<b>29,286</b>	<b>29,165</b>	<b>197,683</b>

	Share capital	Statutory reserve funds	Hedging reserve	Other components of equity	Retained earnings / accumulated losses	Total equity
<b>Equity as at Jan 1 2019 (audited)</b>	<b>3,616</b>	<b>130,960</b>	<b>-586</b>	<b>12,067</b>	<b>36,046</b>	<b>182,103</b>
Profit/(loss) for period	-	-	-	-	6,253	<b>6,253</b>
Other comprehensive income	-	-	584	-	-	<b>584</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>584</b>	<b>-</b>	<b>6,253</b>	<b>6,836</b>
Allocation of profit to dividend payment	-	-	-	-	-4,018	<b>-4,018</b>
Transfer of retained earnings to statutory reserve funds	-	10,412	-	-	-10,412	-
Management stock options	-	-	-	1,145	-	<b>1,145</b>
<b>Equity as at June 30th 2019 (unaudited)</b>	<b>3,616</b>	<b>141,372</b>	<b>-2</b>	<b>13,212</b>	<b>27,869</b>	<b>186,067</b>



**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED**

**JUNE 30TH 2020**

## **BASIS OF PREPARATION**

### **I. Compliance with International Financial Reporting Standards**

These interim condensed separate financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and the Regulation of the Minister of Finance 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 March 29th 2018 (the "Regulation").

These interim condensed separate financial statements of the Company should be read in conjunction with the interim condensed consolidated financial statements authorised for issue by the Management Board and published on the same day as the interim condensed separate financial statements to obtain full information on the assets and financial position of the SECO/WARWICK Group as at June 30th 2020 and the financial result for the period from January 1st to June 30th 2020 in accordance with the International Financial Reporting Standards approved by the European Union. These interim condensed separate financial statements do not include all the information and disclosures required to be included in full-year financial statements, and should be read in conjunction with the separate financial statements for the year ended December 31st 2019, authorised for issue on April 22nd 2020.

### **II. Going concern assumption and comparability of accounts**

In connection with the spread of SARS-CoV-2 in Poland, the Polish government announced a state of epidemic threat as of March 14th 2020, and then a state of epidemic as of March 20th 2020, and introduced far-reaching restrictions aimed at limiting the pace and extent of the epidemic. The restrictions have strongly affected the Polish businesses' ability to operate and have a material bearing on the current economic situation in Poland. For information on the impact of the COVID-19 pandemic on the Company's position, see Note 14.

Following an analysis, the Company's Management Board concludes that despite the risks and restrictions brought by the COVID-19 pandemic, there is no material threat to the Company's ability to continue as a going concern for at least 12 months from the reporting date. In formulating its position, the Management Board considered the current order book, available cash resources and current debt levels, future cash flow projections, the credit facilities in place, the funds received as part of the anti-crisis shield package, as well as the steps taken to cut indirect costs.

### **III. Events which have not but should have been disclosed in the accounting books for the reporting period**

By the date of preparation of these interim condensed separate financial statements for H1 2020, no events occurred which have not but should have been disclosed in the accounting records for the reporting period. In these financial statements no material events related to prior years have been disclosed.

### **IV. Applied accounting policies, including methods of measurement of assets, equity and liabilities, income and expenses**

These interim condensed separate financial statements are presented in the zloty ("PLN"), and unless specified otherwise, all amounts are given in thousands of PLN.

These interim condensed financial statements of the Company cover the period of six months ended June 30th 2020 and contain comparative data for the six months ended June 30th 2019 and as at December 31st 2019. The statement of comprehensive income and notes to the statement of comprehensive income contain data for the three months ended June 30th 2020 and comparative data for the three months ended June 30th 2019 which have not been audited or reviewed by an auditor.

In the preparation of these condensed separate financial statements, none of the published but not yet effective standards or standard interpretations have been applied.

## **V. Material judgements and assumptions**

In these interim condensed financial statements, there have been no significant changes in the estimated amounts which were presented in the previous interim periods of the current financial year or changes in the estimates presented in previous financial years that would have a material effect on the current interim period.

## **VI. Changes in accounting policies**

These interim condensed financial statements have been prepared in accordance with the same accounting policies and computation methods as those applied to prepare the most recent full-year financial statements.

### **Other**

No new standards or interpretations were issued by the date of these financial statements in 2020. The amendments to standards and interpretations in 2020 did not have a material effect on the accounting policies applied by the Company.

The Company is currently analysing the effect of amendments to IAS 37 which clarify what costs should be considered in the measurement of provisions for onerous contracts. The amendments introduce an approach based on costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling a contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling the contract (an example would be the allocation of the depreciation charge for a machinery used in fulfilling the contract or the costs of project management or supervision). General and administrative expenses are not considered direct costs and are excluded from the calculation, unless the contract expressly provides that they are borne by the customer.

The Management Board does not expect any other amendments to the standards and interpretations to have any material bearing on the accounting policies applied by the Company.

## Note 1. REVENUE

Revenue from sales and total income of the Company:

Item	Jan 1–Jun 30 2020	Jan 1–Jun 30 2019	Apr 1–Jun 30 2020	Apr 1–Jun 30 2019
Revenue from sale of finished goods and services	121,521	130,957	57,119	62,209
- including revenue recognised over time	105,836	125,790	55,136	59,347
Revenue from sale of merchandise and materials	3	8	1	1
<b>TOTAL revenue</b>	<b>121,525</b>	<b>130,965</b>	<b>57,119</b>	<b>62,210</b>

Revenue by geographical markets:

Item	Jan 1–Jun 30 2020	Jan 1–Jun 30 2019	Apr 1–Jun 30 2020	Apr 1–Jun 30 2019
European Union	50,008	69,154	21,290	35,808
Commonwealth of Independent States	13,138	566	8,918	-4
USA	13,805	26,777	5,752	10,455
Asia	42,058	30,863	20,219	14,030
Other	2,515	3,605	940	1,921
<b>TOTAL revenue</b>	<b>121,525</b>	<b>130,965</b>	<b>57,119</b>	<b>62,210</b>

The decline in revenues in the European Union and the United States is mainly due to restricted ability to execute orders for customers as a consequence of restrictions imposed by governments to prevent the spread of the COVID-19 pandemic. The increase in revenue generated by the Commonwealth of Independent States segment is due to a change in the geographical structure of customers.

All revenue is recognised by the Company in accordance with IFRS 15.

## Note 2. OPERATING SEGMENTS

The Company's principal business activity consists in manufacture of five key groups of products: vacuum furnaces, atmosphere furnaces, aluminium heat treatment systems and metallurgy equipment used for melting, and vacuum casting of metals and specialty alloys. In accordance with the Company's management accounts, a separate aftersales segment has also been established. The Company's operations are divided into five core business segments corresponding to the product groups:

### Vacuum furnaces

Vacuum furnaces have multiple applications in a number of industries, including machine tool, aviation, power, electrical engineering, medical equipment, automotive and specialised industries. Vacuum furnaces are used in a wide variety of processes, such as heat treatment of steel and alloys, brazing, sintering, and degassing.

### Melting furnaces

Vacuum melting furnaces are used in the metallurgical industry for consolidation, smelting and refining of specialty metals, including reactive metals (e.g. titanium, zirconium) and heat-resistant metals (e.g. tantalum). Their physical properties require processing in technologically advanced equipment and in high vacuum conditions.

A separate group of melting furnaces are melting and holding furnaces used for the manufacture of precision castings (such as components of jet engines, power turbines and medical implants).



**Atmosphere Furnaces (Thermal)**

Atmosphere furnaces are widely used in the process of thermal and thermochemical treatment of steel and metals in protective atmospheres for improved hardness. Atmosphere furnaces designed for thermochemical treatment are used for gas carburising, gas nitriding and in other processes. Such furnaces are used chiefly in the automotive and metal industries, including for the manufacturing of roller bearings, as well as in commercial hardening plants and specialty industries.

**Aluminium heat treatment systems (Aluminium Process)**

The Aluminium Process solutions offered by the Company are used in the manufacturing of aluminium sheet for the automotive and aviation industries, as well as for the manufacturing of packaging foil for multiple applications. Aluminium Process systems are also used to heat treat aluminium castings. CAB systems are used primarily in the automotive industry for brazing of heat exchangers mounted in passenger cars and heavy goods vehicles (charge air coolers, air conditioning evaporators and condensers, oil coolers, etc.). Outside the automotive industry, CAB processes are used in the manufacture of IC radiators, steam condensers for CHP plants, exhaust gas heat exchangers for power generators, etc.

**Aftersales**

The Aftersales Segment offers conversion, upgrades and modification of customer-owned equipment, including equipment manufactured by third parties. This segment also includes sale of spare parts and all aftersale services.

In the case of the business lines (vacuum furnaces, melting furnaces, atmosphere furnaces, aluminium heat treatment lines), contracts with customers provide for the design, manufacture and installation of metal heat treatment equipment, as well as sale of spare parts and maintenance services.

Equipment of this type is often dependent on the customer's infrastructure, such as existing units and foundations. Furthermore, the design process of a unit is highly complex given the need to set up the equipment parameters in line with the customer's expectations.

Therefore, the vast majority of the segments' revenue is recognised throughout contract performance. In the case of aftersales, revenue is recognised upon service completion or product transfer.

Jan 1–Jun 30 2020	Continuing operations						Other	Total
	<i>Vacuum Furnaces</i>	<i>Atmosphere Furnaces (Thermal)</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales</i>	<i>Total</i>		
<b>Total segment revenue</b>	<b>49,102</b>	<b>14,104</b>	<b>19,557</b>	<b>31,373</b>	<b>7,389</b>	<b>121,525</b>	-	<b>121,525</b>
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	<b>-37,414</b>	<b>-12,630</b>	<b>-14,313</b>	<b>-25,105</b>	<b>-4,302</b>	<b>-93,765</b>	<b>-369</b>	<b>-94,134</b>
<b>Gross profit/(loss)</b>	<b>11,687</b>	<b>1,473</b>	<b>5,244</b>	<b>6,268</b>	<b>3,087</b>	<b>27,760</b>	<b>-369</b>	<b>27,391</b>

Apr 1–Jun 30 2020	Continuing operations						Other	Total
	<i>Vacuum Furnaces</i>	<i>Atmosphere Furnaces (Thermal)</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales</i>	<i>Total</i>		
<b>Total segment revenue</b>	<b>22,295</b>	<b>4,526</b>	<b>4,885</b>	<b>22,443</b>	<b>2,970</b>	<b>57,119</b>	-	<b>57,119</b>
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	<b>-17,485</b>	<b>-3,928</b>	<b>-3,413</b>	<b>-17,288</b>	<b>-1,707</b>	<b>-43,821</b>	<b>1,111</b>	<b>-42,710</b>
<b>Gross profit/(loss)</b>	<b>4,810</b>	<b>598</b>	<b>1,471</b>	<b>5,156</b>	<b>1,264</b>	<b>13,299</b>	<b>1,111</b>	<b>14,410</b>

Jan 1–Jun 30 2019	Continuing operations						Other	Total
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	<i>Vacuum Furnaces</i>	<i>Atmosphere Furnaces (Thermal)</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales</i>	<i>Total</i>		
<b>Total segment revenue</b>	<b>60,877</b>	<b>26,607</b>	<b>7,664</b>	<b>28,418</b>	<b>6,986</b>	<b>130,551</b>	<b>413</b>	<b>130,965</b>
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	<b>-46,376</b>	<b>-23,995</b>	<b>-5,600</b>	<b>-22,743</b>	<b>-4,665</b>	<b>-103,379</b>	<b>-630</b>	<b>-104,009</b>
<b>Gross profit/(loss)</b>	<b>14,501</b>	<b>2,612</b>	<b>2,064</b>	<b>5,675</b>	<b>2,321</b>	<b>27,172</b>	<b>-217</b>	<b>26,956</b>

**Continuing operations**

<b>Apr 1–Jun 30 2019</b>	<i>Vacuum Furnaces</i>	<i>Atmosphere Furnaces (Thermal)</i>	<i>Aluminium Process</i>	<i>Melting Furnaces</i>	<i>Aftersales</i>	<i>Total</i>	<b>Other</b>	<b>Total</b>
<b>Total segment revenue</b>	<b>30,060</b>	<b>14,004</b>	<b>2,628</b>	<b>11,564</b>	<b>3,694</b>	<b>61,950</b>	<b>261</b>	<b>62,211</b>
Sales to customers accounting for 10% or more of revenue	-	-	-	-	-	-	-	-
<b>Total segment expenses</b>	<b>-22,564</b>	<b>-12,662</b>	<b>-2,051</b>	<b>-9,057</b>	<b>-2,296</b>	<b>-48,630</b>	<b>-435</b>	<b>-49,066</b>
<b>Gross profit/(loss)</b>	<b>7,496</b>	<b>1,342</b>	<b>577</b>	<b>2,507</b>	<b>1,398</b>	<b>13,319</b>	<b>-174</b>	<b>13,146</b>

### Note 3. OTHER INCOME AND EXPENSES

<b>OTHER INCOME</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Gain on disposal of property, plant and equipment	24	19	24	19
Reversal of provision for liquidated damages under contracts	-	-	-	-150
Licence revenue	206	206	103	206
Grant for development work	341	341	171	201
Penalties and compensation received	83	-	-	-
Income from lease of property, plant and equipment and investment property	475	465	266	221
Services provided to subsidiaries	197	215	94	112
Accounting for lease liabilities in connection with return of cars	70	-	70	-
Other	116	180	155	114
<b>Total other income</b>	<b>1,511</b>	<b>1,426</b>	<b>881</b>	<b>723</b>

<b>OTHER EXPENSES</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Inventory write-downs	357	150	7	150
Court expenses, compensation/damages, penalties	48	312	11	105
Cost related to income from lease of property, plant and equipment	210	155	105	85
Other	45	224	-	4
<b>Total other expenses</b>	<b>660</b>	<b>841</b>	<b>123</b>	<b>344</b>

<b>Impairment of receivables and contract assets</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Impairment of receivables	1,496	189	1,496	268
Impairment of contract assets	-	-	-	-
<b>Impairment of receivables and contract assets</b>	<b>1,496</b>	<b>189</b>	<b>1,496</b>	<b>268</b>

### Note 4. FINANCE INCOME AND COSTS

<b>FINANCE INCOME</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Interest income	110	180	47	36
Net gain/(loss) on derivative instruments	-	232	-	453
Net foreign exchange gains	3,320	-	-	-
<b>Total finance income</b>	<b>3,430</b>	<b>412</b>	<b>47</b>	<b>489</b>

<b>FINANCE COSTS</b>	<b>Jan 1–Jun 30 2020</b>	<b>Jan 1–Jun 30 2019</b>	<b>Apr 1–Jun 30 2020</b>	<b>Apr 1–Jun 30 2019</b>
Interest on bank borrowings	394	770	98	351
Interest on leases	182	155	100	78
Net gain/(loss) on derivative instruments	3,007	-	1,268	-
Net foreign exchange losses	-	357	1,671	566
Impairment losses on loans	27	37	19	18
<b>Total finance costs</b>	<b>3,610</b>	<b>1,319</b>	<b>3,157</b>	<b>1,012</b>

**Note 5. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

<b>As at Jun 30 2020</b>	<b>Gross amount of equity interests</b>	<b>Impairment losses on shares</b>	<b>Carrying amount of equity interests</b>	<b>Ownership interest (%)</b>	<b>% of total voting rights</b>
SECO/WARWICK Corporation	21,806	21,806	-	100%	100%
SECO/WARWICK Rus	172	172	-	100%	100%
Retech Systems LLC	50,863	12,399	38,464	100%	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.	7,601	-	7,601	93%	93%
OOO SCT Russia	4,228	4,228	-	50%	50%
SECO/WARWICK Germany GmbH	6,035	6,035	-	100%	100%
SECO/WARWICK Systems and Services India PVT Ltd	1,268	-	1,268	100%	100%
SECO/WARWICK Service Sp. z o.o.	3,412	26	3,386	100%	100%
SECO WARWICK USA Holding LLC	7,703	-	7,703	100%	100%
<b>Total</b>	<b>103,088</b>	<b>44,666</b>	<b>58,422</b>		

<b>As at Dec 31 2019</b>	<b>Gross amount of equity interests</b>	<b>Impairment losses on shares</b>	<b>Carrying amount of equity interests</b>	<b>Ownership interest (%)</b>	<b>% of total voting rights</b>
SECO/WARWICK Corporation	21,806	21,806	-	100%	100%
SECO/WARWICK Rus	172	172	-	100%	100%
Retech Systems LLC	50,863	12,399	38,464	100%	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.	7,601	-	7,601	93%	93%
OOO SCT Russia	4,228	4,228	-	50%	50%
SECO/WARWICK Germany GmbH	6,035	6,035	-	100%	100%
SECO/WARWICK Systems and Services India PVT Ltd	1,268	-	1,268	100%	100%
SECO/WARWICK Service Sp. z o.o.	3,412	26	3,386	100%	100%
SECO WARWICK USA Holding LLC	7,703	-	7,703	100%	100%
<b>Total</b>	<b>103,088</b>	<b>44,666</b>	<b>58,422</b>		

## Note 6. IMPAIRMENT LOSSES ON ASSETS

Impairment losses as at	Jun 30 2020	Dec 31 2019
Trade receivables	9,804	8,316
Equity interests in subsidiaries	44,672	44,672
Inventories	5,359	5,001
Loans	1,328	1,302

IMPAIRMENT LOSSES ON TRADE RECEIVABLES	Jun 30 2020	Jun 30 2019
<b>Opening balance</b>	<b>8,316</b>	<b>5,103</b>
<b>Increase, including:</b>	<b>1,496</b>	<b>268</b>
- impairment losses recognised	1,496	268
<b>Decrease, including:</b>	<b>8</b>	<b>79</b>
- impairment losses reversed	8	79
<b>Closing balance</b>	<b>9,804</b>	<b>5,292</b>

IMPAIRMENT LOSSES ON EQUITY INTERESTS	Jun 30 2020	Jun 30 2019
<b>Opening balance</b>	<b>44,672</b>	<b>44,633</b>
<b>Increase, including:</b>	-	-
- impairment losses recognised	-	-
<b>Decrease, including:</b>	-	-
- impairment losses reversed	-	-
<b>Closing balance</b>	<b>44,672</b>	<b>44,633</b>

WRITE-DOWNS ON INVENTORIES	Jun 30 2020	Jun 30 2019
<b>Opening balance</b>	<b>5,001</b>	<b>4,574</b>
<b>Increase, including:</b>	<b>357</b>	<b>150</b>
- impairment losses recognised	357	150
<b>Decrease, including:</b>	-	-
- impairment losses reversed	-	-
<b>Closing balance</b>	<b>5,359</b>	<b>4,724</b>

IMPAIRMENT LOSSES ON LOANS	Jun 30 2020	Jun 30 2019
<b>Opening balance</b>	<b>1,302</b>	<b>3,563</b>
<b>Increase, including:</b>	<b>27</b>	<b>37</b>
- impairment losses recognised	27	37
<b>Decrease, including:</b>	-	-
- impairment losses reversed	-	-
<b>Closing balance</b>	<b>1,328</b>	<b>3,600</b>

## Note 7. DERIVATIVE FINANCIAL INSTRUMENTS

	Jun 30 2020		Dec 31 2019	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	1	3,033	846	1,005
<b>Total hedging instruments</b>				
- non-current	-	177	151	287
- current	1	2,856	695	719

### Disclosures of derivative financial instruments which qualify for hedge accounting

In the first half of 2020, SECO/WARWICK S.A. used currency forwards to hedge on average 60% of its export cash flows denominated in EUR and 50% of its cash flows denominated in USD. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the amount of EUR- or USD-denominated cash flows are offset by changes in the fair value of the hedging instrument. Hedge accounting is applied if the criteria provided for in IAS 39:88 are met.

The valuation of derivative instruments as at the reporting date is recognised in equity. If a transaction which has been hedged with a currency forward affects profit or loss, the valuation previously recognised in equity is reclassified to profit or loss. Given that transactions in derivative instruments are entered into to hedge concluded long-term contracts (accounted for based on the stage of completion measured by reference to contract costs incurred), the Group assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract. The Group further assumed that the measurement of derivative instruments as at the reporting date provided by partner banks reliably reflect the fair value of its currency forwards, and so this amount was disclosed in its accounting records. The effectiveness of a transaction is assessed by comparing the maturity dates and notional amounts of the hedged item and the hedging instrument.

The table below presents total values of hedging relationships open as at June 30th 2020.

<b>Jun 30 2020</b>	<b>Notional amount of contract (EUR '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Jun 30 2020</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	53,904	22,558	18,547	-1,818	-504	-1,314	Jul 31 2020–Jan 31 2022

<b>Jun 30 2020</b>	<b>Notional amount of contract (USD '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Jun 30 2020</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (cumulative) (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	18,056	10,711	6,810	-1,214	-828	-386	Jul 31 2020–Mar 15 2021

The table below presents total values of hedging relationships open as at December 31st 2019.

<b>Dec 31 2019</b>	<b>Notional amount of contract (EUR '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Dec 31 2019</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	53,839	20,368	13,618	258	167	91	Jan 31 2020 – Jan 31 2022

<b>Dec 31 2019</b>	<b>Notional amount of contract (USD '000)</b>	<b>Initial notional amount of hedging instrument</b>	<b>Outstanding notional amount of hedging instrument as at Dec 31 2019</b>	<b>Fair value of instrument (PLN '000)</b>	<b>Amount recognised in profit or loss (PLN '000)</b>	<b>Amount recognised in equity (PLN '000)</b>	<b>Date of final settlement of hedging instrument</b>
TOTAL	43,406	24,502	10,579	-417	-368	-49	Jan 31 2020 – Mar 15 2021



**Note 8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

<b>TRADE PAYABLES AND OTHER CURRENT LIABILITIES</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
a) for deliveries and services, payable in up to 12 months	34,461	42,781
b) taxes, duties, social security and other benefits (excluding income tax) payable	2,897	3,840
c) salaries, wages and other obligations towards employees	2,445	3,039
d) capital commitments	280	856
e) other	1,579	628
<b>TOTAL</b>	<b>41,661</b>	<b>51,144</b>

**Note 9. SHORT-TERM PROVISIONS FOR EMPLOYEE BENEFITS**

<b>Short-term provisions for employee benefits</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
- accrued holiday entitlements	1,693	1,641
- accrued bonuses	6,260	4,314
- other	20	20
	<b>7,974</b>	<b>5,976</b>

**Note 10. BORROWINGS**

<b>Borrowings</b>	<b>Jun 30 2020</b>	<b>Dec 31 2019</b>
Overdrafts	12,015	25,652
Investment credit facility	-	1,565
Credit card limits	65	201
<b>Total</b>	<b>12,080</b>	<b>27,418</b>

<b>Borrowings</b>	
<b>As at Dec 31 2019</b>	<b>27,418</b>
<b>Increase, including:</b>	-
- bank loans contracted	-
<b>Decrease, including:</b>	<b>15,338</b>
- repayment of overdrafts	13,637
- repayment of investment credit facility	1,565
- repayment of credit card limits	136
<b>As at Jun 30 2020</b>	<b>12,080</b>

**Note 11. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS**

On April 22nd 2020, the Supervisory Board gave a positive assessment of the Management Board's proposal to allocate SECO/WARWICK S.A.'s total net profit for 2019, of PLN 10,619,707.32 (ten million, six hundred and nineteen thousand, seven hundred and seven zloty, 32/100), to the Company's statutory reserve funds.

On June 5th 2020, the Annual General Meeting decided to retain the Company's net profit for 2019 and allocate it in full to the Company's statutory reserve funds.

**Note 12. RELATED PARTY TRANSACTIONS**

Related entity	period	Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
<b>SECO/WARWICK Corporation</b>					
	<i>Jun 30 2020</i>	9	395	5,664	129
	<i>Apr 1–Jun 30 2020</i>	4	133	- 854	129
	<i>Jun 30 2019</i>	43	39	1,864	236
	<i>Dec 31 2019</i>	7,226	774	8,199	-
<b>Retech Systems LLC</b>					
	<i>Jun 30 2020</i>	6,400	63	1,754	1,839
	<i>Apr 1–Jun 30 2020</i>	6,366	44	1,014	- 29
	<i>Jun 30 2019</i>	955	2,135	780	544
	<i>Dec 31 2019</i>	6,694	9,596	647	4,472
<b>SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.</b>					
	<i>Jun 30 2020</i>	613	2,688	2,553	6,975
	<i>Apr 1–Jun 30 2020</i>	583	2,688	462	2,161
	<i>Jun 30 2019</i>	885	1,581	1,921	5,100
	<i>Dec 31 2019</i>	1,651	1,712	2,289	5,014
<b>SECO VACUUM TECHNOLOGIES LLC</b>					
	<i>Jun 30 2020</i>	14,289	451	15,620	487
	<i>Apr 1–Jun 30 2020</i>	12,477	451	1,875	448
	<i>Jun 30 2019</i>	5,751	46	6,949	462
	<i>Dec 31 2019</i>	22,669	573	12,578	1,012
<b>SECO/WARWICK Germany GmbH</b>					
	<i>Jun 30 2020</i>	49	127	4,093	1,296
	<i>Apr 1–Jun 30 2020</i>	49	- 164	- 1,048	100
	<i>Jun 30 2019</i>	3,272	943	7,096	910
	<i>Dec 31 2019</i>	3,428	1,716	4,809	1,406
<b>SECO/WARWICK Services Sp. z o.o.</b>					
	<i>Jun 30 2020</i>	1,802	266	1,295	23
	<i>Apr 1–Jun 30 2020</i>	656	106	- 1,079	- 62
	<i>Jun 30 2019</i>	1,279	68	1,774	28
	<i>Dec 31 2019</i>	3,750	287	1,675	45
<b>SECO/WARWICK Rus</b>					
	<i>Jun 30 2020</i>	-	393	1,358	11
	<i>Apr 1–Jun 30 2020</i>	-	102	- 26	5
	<i>Jun 30 2019</i>	-	371	2,320	78
	<i>Dec 31 2019</i>	14	2,930	1,295	6
<b>SECO/WARWICK Systems and Services India PVT. Ltd.</b>					

<i>Jun 30 2020</i>	10	286	81	260
<i>Apr 1–Jun 30 2020</i>	-	279	- 2	243
<i>Jun 30 2019</i>	88	357	124	233
<i>Dec 31 2019</i>	218	876	144	273

**Note 13. SEASONALITY OR CYCLICALITY OF BUSINESS IN THE REPORTING PERIOD**

SECO/WARWICK S.A.'s business is not exposed to any significant seasonal or cyclical fluctuations.

**Note 14. EVENTS NON-TYPICAL DUE TO THEIR NATURE, SCALE OR FREQUENCY**

At the end of 2019, the first news was received of the spread of the SARS-CoV-2 virus, causing the COVID-19 disease, in China. In the first months of 2020, the virus spread across the world, and its adverse impacts are being felt in many countries.

In connection with the spread of SARS-CoV-2 in Poland, the Polish government announced a state of epidemic threat as of March 14th 2020, and then a state of epidemic as of March 20th 2020, and introduced far-reaching restrictions aimed at limiting the pace and extent of the epidemic. Similar precautionary measures were implemented in most of the affected countries, including in the world's largest economies. The restrictions have strongly affected business organisations' ability to operate and have a material bearing on the current economic situation. It should also be pointed out that the epidemic threat is driving a strong volatility on stock exchange and currency markets, unavailability of certain goods and services, as well as the risk of disruption to global supply chains of key importance to specialised industrial production activities.

The Company has identified the following as the main risks that may affect the Group's operations and financial performance in the coming periods:

- (i) the risk of reduced order volumes (including a marked decline in major contracts, postponement of deliveries, and partial or complete cancellation of certain orders) and, as a result, of reduced or considerably deferred sales;
- (ii) discontinuation of capital expenditures by the Group's key customers;
- (iii) reintroduction of labour and travel restrictions in China, Europe and the United States, which could delay the performance of contracts concluded by the Group companies by hampering selling efforts and the ability to put equipment into operation and perform maintenance services;
- (iv) aggravation of the crisis in the automotive and aviation sectors,
- (v) difficulties in the performance of contracts resulting from the introduction of a remote work system to protect employees' health and life against COVID-19;
- (vi) potential impediments in the Company's cooperation with its key suppliers of raw materials and components.

With respect to the Company, the negative impact of the epidemic to date has involved primarily a reduction in the number and value of new orders placed by the Company's trading partners. The Company's Management Board is closely monitoring the global business environment to identify trends that may potentially lead to suspension of delivery (i.e. deferral of income) or, in extreme cases, partial or complete cancellation of certain orders in the backlog as at the reporting date. This may result in a significant deferral or loss of all or some revenue from contracts (partly offset by liquidated damages, if any, payable to the Company) and in lower cash flows than expected.

The Company's Management Board took steps to mitigate the adverse effect of the situation on the Company's operations and financial performance, while taking steps to ensure safety of the employees and trading partners.

On April 1st 2020, in consultation with trade unions, the Company reduced employees' working hours to 80%, with pro rata cuts of the pay amounts. The Company's employees confirmed their readiness to work reduced hours and to accept the proportionate pay reductions. Full working time was reinstated on August 1st 2020. A Covid19 team has been established to mitigate the effects and risks of the epidemic.

Procedures and policies have been put in place, including a rotational work system with a home office option for most of the Company's employees, to minimise the risk of infection among staff. In the case of the departments in which remote work is not possible, an equivalent working time has been introduced.

The Company also decided to apply for aid under various financial assistance and business support programmes as introduced on some of the Group's markets. In the first half of 2020, SECO/WARWICK S.A. received three tranches of employee compensation subsidies totalling PLN 3.1m as part of the anti-crisis shield package in connection with reduced working hours.

Based on its best knowledge, the Company's Management Board does not expect any rise in the number of court disputes, any penalties imposed for contract performance delays, contract terminations, or insolvencies of the Company's customers. The Management Board monitors and analyses on an ongoing basis the situation, the value of orders, and the stage of completion of contracts, to undertake activities to secure the Company's operations if necessary.

So far, the Group has not experienced any significant problems with the availability of feedstocks, materials or goods. The Company's Management Board will continue to monitor the potential impact of the epidemic and take all reasonable steps to mitigate its negative effects on the Company and other Group companies.

#### **Note 15. FAIR VALUE HIERARCHY**

All financial instruments are classified by the Company at level 2 of the fair value hierarchy. The method and technique used to measure financial instruments at fair value are the same as those applied as at December 31st 2019. Both in the reporting period and the comparative period, there were no transfers between the levels of fair value hierarchy of financial instruments at the Company, nor was there any change in the classification of instruments as a result of a change in the purpose or use of these instruments.

There are no material differences between the carrying amount and the fair value of any of the financial assets and liabilities.

#### **Note 16. ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

No such events occurred.

#### **Note 17. OFF-BALANCE-SHEET ITEMS**

##### **Contingent liabilities**

As at June 30th 2020, contingent liabilities under performance bonds (bank guarantees) issued amounted to PLN 60,090 thousand (end of 2019: PLN 61,400 thousand).

#### **Note 18. SETTLEMENTS RELATED TO COURT CASES**

For detailed information on court cases, see Section 24 of the Directors' Report on SECO/WARWICK S.A.'s operations in the year ended December 31st 2019. By the date of issue of these financial statements, the Company had not received any additional information in this respect.

#### **Note 19. MATERIAL EVENTS WHICH OCCURRED AFTER THE END OF THE REPORTING PERIOD AND ARE NOT DISCLOSED IN THESE FINANCIAL STATEMENTS**

No such events occurred.

## Note 20. REMUNERATION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

### Remuneration of the Management Board:

Name and surname	Base salary for period	Other benefits, including bonuses, awards	Accrued incentive scheme costs	Total remuneration for the period
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
<b>Jun 30 2020</b>				
Sławomir Woźniak	216	219	66	500
Jarosław Talerzak	176	71	10	257
Piotr Walasek	162	87	23	271
Bartosz Klinowski	162	68	195	425
Earl Good <sup>(4)</sup>	558	-	-	558
<b>Total</b>	<b>1,273</b>	<b>444</b>	<b>294</b>	<b>2,011</b>
<b>Jun 30 2019</b>				
Sławomir Woźniak	204	165	296	666
Paweł Wyrzykowski <sup>(1)</sup>	182	809	40	1,032
Jarosław Talerzak <sup>(2)</sup>	33	2	10	45
Piotr Walasek <sup>(3)</sup>	30	1	97	127
Bartosz Klinowski	165	235	421	820
Earl Good <sup>(4)</sup>	574	-	68	642
<b>Total</b>	<b>1,187</b>	<b>1,212</b>	<b>933</b>	<b>3,332</b>

(1) The remuneration amount relates to the term of office on the Management Board: from January 1st 2019 to June 4th 2019.

(2) Mr Jarosław Talerzak was appointed Vice President of the Management Board on June 5th 2019.

(3) Mr Piotr Walasek was appointed Member of the Management Board on June 5th 2019.

(4) Under an employment contract between Retech and Mr Earl Good. Mr Earl Good was appointed Member of the Management Board on June 5th 2019.

### Remuneration of the Supervisory Board:

	Jun 30 2020	Jun 30 2019
Andrzej Zawistowski	91	115
- for his service as Chairman of the Supervisory Board	62	60
- under contract for advisory services <sup>(1)</sup>	30	55
Jeffrey Boswell (2)	86	82
Henryk Pilarski	24	27
Marcin Murawski	19	21
Jacek Tucharz	19	21
<b>Total</b>	<b>239</b>	<b>266</b>

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as USŁUGI DORADCZE Andrzej Zawistowski. The contract of July 2nd 2012 is for the provision of technical and product development advisory services.

(2) Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.

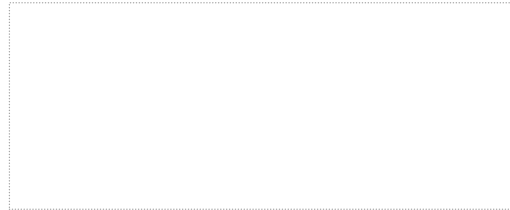
Date: September 11th 2020

President of the Management Board



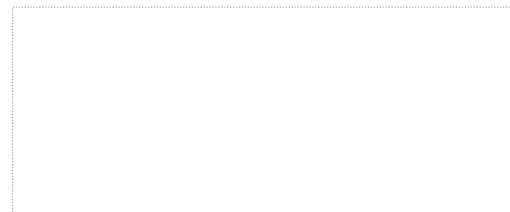
Sławomir Woźniak

Vice President of the Management Board



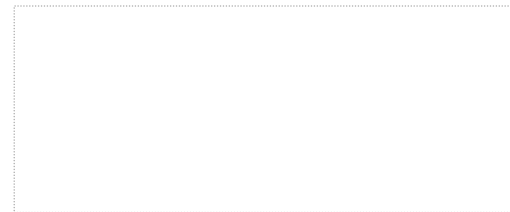
Jarosław Talerzak

Member of the Management Board



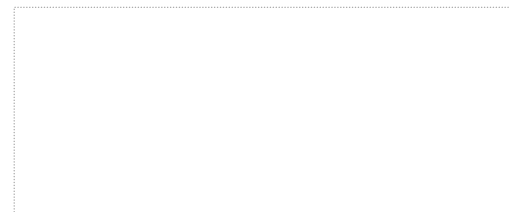
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek