



SECO/WARWICK
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DIRECTORS' REPORT
ON THE SECO/WARWICK GROUP'S OPERATIONS
IN THE SIX MONTHS ENDED JUNE 30TH 2021

The Management Board of SECO/WARWICK S.A. presents the Directors' Report on the SECO/WARWICK Group's operations in the period January 1st–June 30th 2021, prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions

for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757) (the “Regulation”).

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IFRS”), as endorsed by the EU, and the Regulation. The financial statements are presented in the Polish złoty (“PLN”) and, unless specified otherwise, all amounts are given in thousands of PLN. The interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. June 30th 2021.

1. The SECO/WARWICK Group

1.1 General information

SECO/WARWICK S.A. (the “Company” or the “Parent”) was entered in the Business Register of the National Court Register on January 2nd 2007, by virtue of a decision issued by the District Court of Zielona Góra, 8th Commercial Division of the National Court Register, on January 2nd 2007 under No. KRS 0000271014.

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.

The Group includes a jointly controlled entity:

- 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.

The operations of the SECO/WARWICK Group are divided into four main business segments:

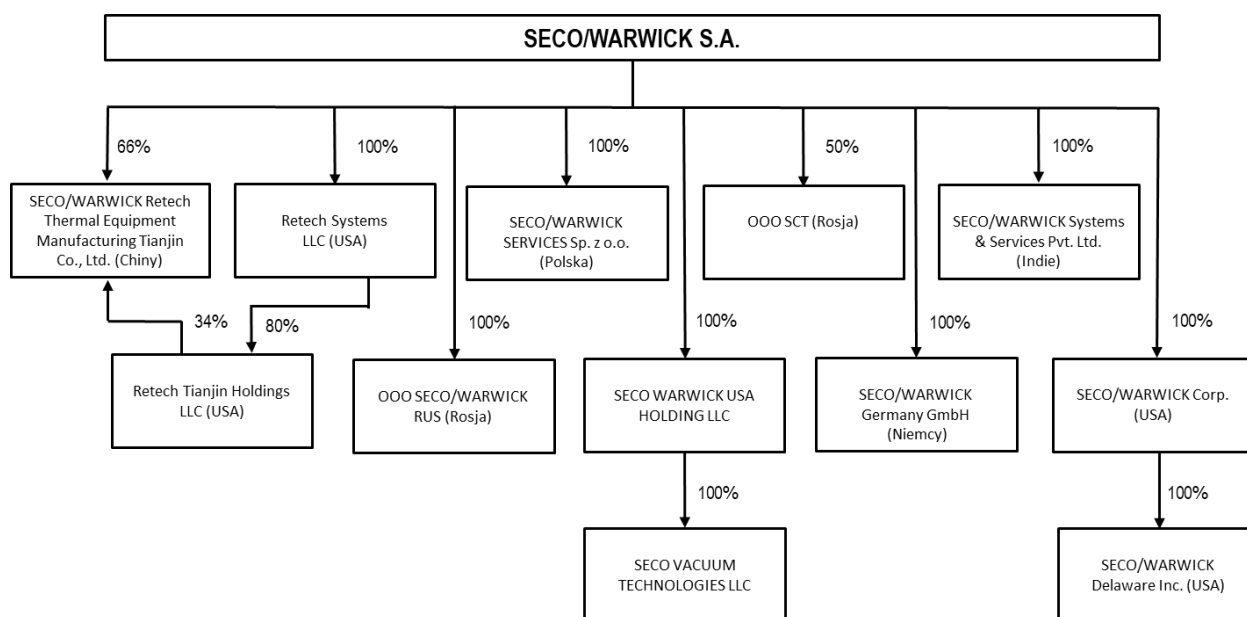
- Vacuum Furnaces,
- aluminium heat treatment systems (Aluminium Process + Controlled Atmosphere Brazing),
- Melting Furnaces,
- Aftersales.

1.2 Composition of the SECO/WARWICK Group as at June 30th 2021

Table: Composition of the SECO/WARWICK Group as at June 30th 2021 is presented below:

Company	Registered office	Principal business activity	Group's ownership interest
Parent			
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding company of the SECO/WARWICK Group; holding equity interests and providing strategic management services; manufacture of equipment for metal heat treatment	N.A.
Direct and indirect subsidiaries			
SECO/WARWICK Corp.	Meadville (USA)	Sale, repair and maintenance services	100%
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	Holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	100%
OOO SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products	100%
Retech Systems LLC	Buffalo (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	manufacture of equipment for metal heat treatment	93%
Retech Tianjin Holdings LLC	(USA)	Holding company	80%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	50%
SECO/WARWICK GmbH	Germany Bedburg-Hau (Germany)	Sale, repair and maintenance services	100%
SECO/WARWICK Services Sp. z o.o.	Świebodzin (Poland)	Repair and maintenance services	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces.	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services	100%

Organisational chart of the Group as at June 30th 2021



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

There were no changes in the composition of the SECO/WARWICK Group between June 30th 2021 and the date of issue of this Report.

2. Other supplementary information

2.1. Material achievements and failures of SECO/WARWICK S.A. and the SECO/WARWICK Group in H1 2021 and key related events

In H1 2021, the SECO/WARWICK Group companies secured a backlog of orders worth PLN 221.7m (including approximately PLN 162.2m in Q2 2021), up by PLN 103.7m year on year. With the orders secured in H1 2021, the value of the order book as at the end of June 2021 totalled PLN 351m, up by PLN 31m on the first half of 2020.

As regards sales by geographical segments, a year-on-year increase was reported in the CIS market (up by +108%) and in Asia (up by 41%). Sales in the other markets decreased year on year: by 4% in the United States and 26% in Europe. In those regions, the Group is facing a significant slowdown related to the COVID19 pandemic. Consolidated sales of the SECO/WARWICK Group improved by 15%, to PLN 221m, from PLN 192.8m in the first half of 2020.

All Group companies reported higher sales: the Asian subsidiary SECO/WARWICK Retech (China) – up by 170%, the US-based companies SECO/WARWICK Corp., SECO/VACUUM Technologies LLC and Retech Systems LLC – up by 70%, 100% and 13%, respectively, the Polish service company SECO/WARWICK Service – up by 8%, and SECO/WARWICK S.A. – up by 10%.

In H1 2021, almost all of the Group’s operating segments saw a growth in sales: of 83% in the Aluminium Process segment, 26% in the Vacuum Furnaces and 14% in the Melting Furnaces segment.

On June 10th 2021, the General Meeting of Shareholders passed Resolution No. 19 to allocate a part of the net profit for 2020 of PLN 4,944,307.50 (four million, nine hundred and forty-four thousand, three hundred and seven zloty, 50/100) to dividend distribution. Dividend per share was PLN 0.55. The dividend record date (day D) and the dividend payment date (day P) were July 1st 2021 and July 15th 2021, respectively.

As at the date of issue of the H1 2021 report, the Company's and the Group's business was stable. The Group and the Company pay all their liabilities when due.

2.2. Factors and events, including of a non-recurring nature, with a significant bearing on the Company's financial performance in H1 2021 and with potential bearing, in the Company's opinion, on its performance in the next half year or a longer term

In H1 2021, based on current observations, the Company identifies the following main areas of possible impact of the COVID-19 pandemic on the Company's and the Group's operations and financial condition:

1. lower number and value of new orders placed by the Group's trading partners;
2. 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;
3. difficulties in the performance of contracts resulting from the introduction of a remote work system to protect employees' health and life against COVID-19;
4. potential impediments in the Group's cooperation with its key suppliers of raw materials and components;
5. crisis in industries of key importance to the SECO/WARWICK Group, i.e. the automotive, aviation and energy sectors.

As the Company has identified no material change in the timeliness of receivables collection, no material impairment losses on receivables or contract assets were recognised.

The impact of the COVID-19 pandemic on the Company and the Group, their financial condition and results in subsequent periods will depend on a number of factors that are beyond the Company's control. The factors include the duration and intensity of the pandemic and measures taken by the government to contain it and protect the public against the effects of the crisis, and thus its ultimate impact on the Polish economy. The Management Board will be monitoring the COVID-19 situation and its impact on the Polish economy, and will take appropriate measures depending on how the situation develops.

2.3. Changes in the Group structure in H1 2021, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations

In H1 2021, no organisational changes took place in 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.

2.4. Management Board's position on the feasibility of meeting any previously published forecasts for 2021 in light of the results presented in the H1 2021 report

The SECO/WARWICK Management Board did not publish any forecasts of the Company's or the Group's financial results in 2021.

2.5. Shareholders holding, directly or indirectly, 5% of the total voting rights at the General Meeting as at the date of issue of this Report, including information on any changes subsequent to the issue of the SECO/WARWICK Group's interim report for Q1 2021

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the issue date of the Q1 2021 report, that is May 14th 2021

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)	1,091,952	10.60%	1,091,952	10.60%
Bleauhard Holdings LLC	594,973	5.78%	594,973	5.78%
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 Company from the shareholders under Art. 69 of the Public Offering Act.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the issue date of the H1 2021 report, that is September 10th 2021

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)	1,091,952	10.60%	1,091,952	10.60%
Bleauhard Holdings LLC	594,973	5.78%	594,973	5.78%
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 Company from the shareholders under Art. 69 of the Public Offering Act.

From the issue date of the Q1 2021 report, i.e. May 14th 2021, to the issue date of the H1 2021 report, there were no changes in the list of shareholders holding more than 5% of voting rights at the Company's General Meeting.

Treasury shares

SECO/WARWICK S.A. holds 1,308,904 treasury shares, representing 12.71% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

On February 12th 2020, the Extraordinary General Meeting passed Resolution No. 5 to authorise the Company's Management Board to repurchase Company 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.

2.6. SECO/WARWICK shares held by members of the Management Board and Supervisory Board as at the date of issue of this Report, including information on any changes subsequent to the issue date of the Q1 2021 report

Table: Members of the Company's Management Board and Supervisory Board holding SECO/WARWICK S.A. shares as at the date of issue of the Q1 2021 and H1 2021 reports.

	May 14 2021				Sep 10 2021			
	Number of S/W shares held	Ownership interest	% of total voting rights	Decrease/increase	Number of S/W shares held	Ownership interest	% of total voting rights	Total par value of shares (PLN)
Management Board								
Sławomir Woźniak	56,217	0.55%	0.55%	-	56,217	0.55%	0.55%	11,243
Bartosz Klinowski	109,662	1.06%	1.06%	-	109,662	1.06%	1.06%	21,932
Earl Good	6,331	0.06%	0.06%	-	6,331	0.06%	0.06%	1,266
Piotr Walasek	33,005	0.32%	0.32%	-	33,005	0.32%	0.32%	6,601
Supervisory Board								
Andrzej Zawistowski	65,000	0.63%	0.63%	-	65,000	0.63%	0.63%	13,000
Jeffrey Boswell	9,776	0.09%	0.09%	-	9,776	0.09%	0.09%	1,955
Henryk Pilarski	1,060	0.0103%	0.0103%	-	1,060	0.0103%	0.0103%	212
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
Total	281,051	2.73%	2.73%	-	281,051	2.73%	2.73%	56,210

Item	May 14 2021	Sep 10 2021
Number of shares	10,298,554	10,298,554
Par value per share	0.20	0.20
Share capital	2,059,710.80	2,059,710.80

In the period specified above, members of SECO/WARWICK S.A.'s Management and Supervisory Boards did not enter into any transactions involving SECO/WARWICK S.A. shares.

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

2.7. Material court, arbitration and administrative proceedings

In H1 2021, neither the Company nor any other SECO/WARWICK Group company was party (whether jointly or individually) to any material court, arbitration or administrative proceedings.

2.8. Non-arm's length transaction or series of transactions concluded by the Company or its subsidiaries with related parties

In H1 2021, SECO/WARWICK S.A. and its subsidiaries did not enter into any non-arm's length transactions with related parties.

2.9. Loan sureties or guarantees provided by SECO/WARWICK S.A. or its subsidiaries, jointly to one entity or its subsidiary, where the total outstanding amount of such sureties or guarantees is material

In H1 2021, SECO/WARWICK S.A. and its subsidiaries did not provide any loan sureties or guarantees the amount of which would be material.

2.10. Any other information which in the Company's opinion is material for the assessment of its personnel, assets, financial condition and financial performance or changes therein, or for the assessment of the Company's ability to meet its obligations

On June 10th 2021, the General Meeting of Shareholders passed Resolution No. 19 to allocate a part of the net profit for 2020 of PLN 4,944,307.50 (four million, nine hundred and forty-four thousand, three hundred and seven zloty, 50/100) to dividend distribution. Dividend per share was PLN 0.55. The dividend record date (day D) and the dividend payment date (day P) were July 1st 2021 and July 15th 2021, respectively.

In H1 2021, no events other than those discussed in Section 2.2 above occurred in the SECO/WARWICK Group's business which in the Company's opinion would be material for the assessment of its personnel, assets, financial condition and financial result or changes therein, or for the assessment of the Company's ability to meet its obligations.

As at the date of issue of this report, the Company's and the Group's business was stable. The Group and the Company pay all their liabilities when due.

2.11. Factors which in the Company's opinion will affect the Group's performance in H2 2020 or in a longer term**SECO/WARWICK S.A. Incentive Scheme**

On December 12th 2019, by Resolution No. 01/2019 the Supervisory Board defined the individual targets for 2020 for the participants of the Incentive Scheme. Achievement of the individual targets is a condition for the award of rights under the Incentive Scheme to its participants, provided that they remain employed with the Company in the period from January 1st to December 31st 2020. The targets cover financial and operating ratios of the individual subsidiaries, the organisational units related to particular technologies, or the entire Group, depending on the position of a participant. As at December 31st 2020, the maximum number of options that may be granted to the beneficiaries of the Incentive Scheme was 227,200 (December 31st 2019: 361,943; December 31st 2018 494,000).

The cost of option vesting recognised in 2020 was PLN 1,364 thousand.

The cost of option vesting recognised in H1 2021 was PLN 522 thousand.

COVID-19 pandemic

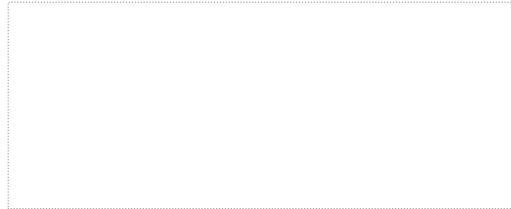
The impact of the COVID-19 pandemic on the Company and the Group, their financial condition and results in subsequent periods depends on a number of factors. The factors include the duration and intensity of the pandemic and measures taken by the government to contain it and protect the public against the effects of the crisis, and thus its ultimate impact on the Polish economy. The Management Board will be monitoring the COVID-19 situation and its impact on the Polish economy.

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

For information on the impact of the COVID-19 pandemic on the Group's position, see Section 2.2. of this Report.

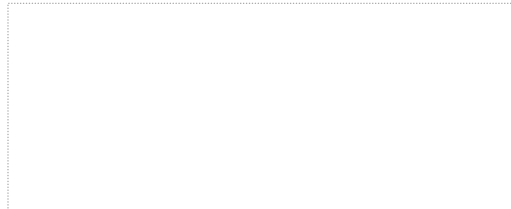
Date: September 10th 2021

President of the Management Board



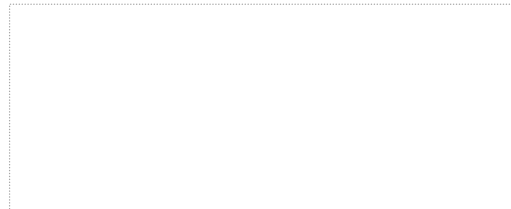
Sławomir Woźniak

Member of the Management Board



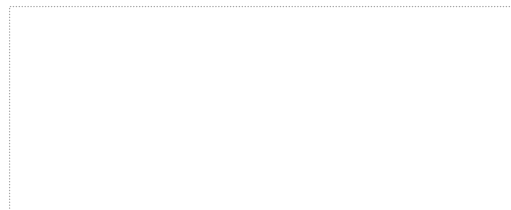
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek