



***SECO/WARWICK***  
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**DIRECTORS' REPORT  
ON THE SECO/WARWICK GROUP'S OPERATIONS  
FOR THE SIX MONTHS ENDED JUNE 30TH 2022**

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 2022, 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 2022.

## 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.
- SECO/WARWICK Technical Services (Tianjin) Co.Ltd.,
- OOO SCT

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.

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 services.

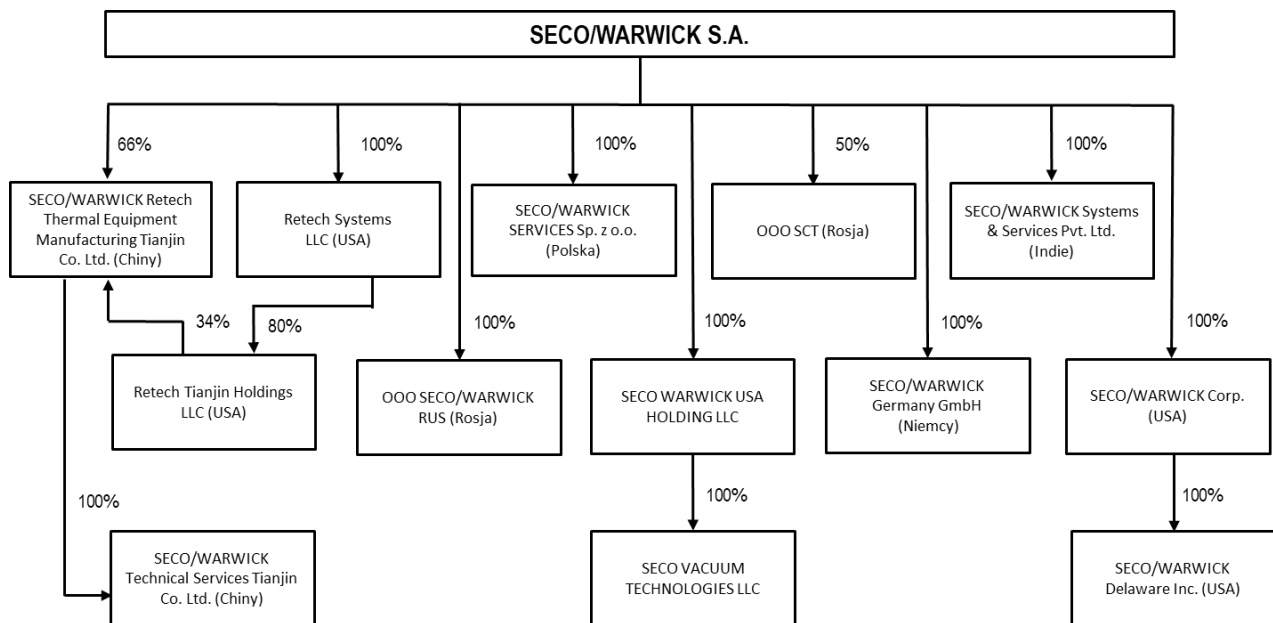
## 1.2 Composition of the SECO/WARWICK Group as at June 30th 2022

Table: Composition of the SECO/WARWICK Group as at June 30th 2022 is presented below:

Company	Registered office	Principal business activity	Seco/Warwick's ownership interest (%)
<b>Parent</b>			
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.
<b>Direct and indirect subsidiaries</b>			
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%
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 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%
SECO/WARWICK Technical Services Tianjin Co. Ltd.	Tianjin (China)	Sale, repair and maintenance services	93%

**Organisational chart of the Group as at June 30th 2022**



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

On May 20th 2022, SECO/WARWICK Technical Services Tianjin Co. Ltd (China), a wholly-owned subsidiary of SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., was formed. Ltd.

## 2. Other supplementary information

### 2.1. Material achievements and failures of SECO/WARWICK S.A. and the SECO/WARWICK Group in H1 2022 and key related events

In the six months ended June 30th 2022, the SECO/WARWICK Group companies secured a backlog of orders worth PLN 444m (including approximately PLN 295.7m in Q2 2022), up by PLN 222.3m year on year. With the orders secured in the first half of 2022, the value of the order book as at the end of June 2022 totalled PLN 521m, up by PLN 170m on the first half of 2021.

As regards sales by geographical segments, a year-on-year increase was reported on the European market (up by +125%) and in the US (up by 52%).

A significant decline in sales was recorded on the Russian market (-70%), which was directly attributable to the armed conflict in Ukraine and consequent sanctions imposed on Russia and Belarus. Sales in Asia remained largely flat on June 2021. Consolidated sales of the SECO/WARWICK Group improved by 23%, to PLN 272.4m, from PLN 221.0m in the first half of 2021.

Almost all Group companies reported higher sales, including the Asian subsidiaries SECO/WARWICK Retch (China) and SECO/WARWICK Systems and Services India PVT. Ltd. (India) (up by 28% and 77%, respectively), the US-based companies SECO/VACUUM Technologies LLC +78% and Retch Systems LLC +1% (up by +78% and +1%, respectively), the Polish service company SECO/WARWICK Service (up by +51%), and SECO/WARWICK S.A. (up by +8%).

In the six months ended June 30th 2022, sales of vacuum furnaces, aluminium process solutions, and aftersales services increased by +52%, +34%, and +32%, respectively.

On May 25th 2022, the Annual General Meeting passed Resolution No. 20 to allocate part of the net profit for 2021, of PLN 2,548,909.50 (two million, five hundred and forty-eight thousand, nine hundred and nine zloty, 50/100) to dividend distribution. Dividend per share was PLN 0.30. June 15th 2022 was set as the dividend record date (Day R) and June 29th 2022 as the dividend payment date (Day P).

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.

### 2.2. Factors and events, including of a non-recurring nature, with a significant bearing on the Company's financial performance in H1 2022 and with potential bearing, in the Company's opinion, on its performance in the next half year or a longer term

In the six months ended June 30th 2022, based on current observations, two events with a potential bearing on the Company's and the Group's financial condition were identified, namely the continuing COVID-19 pandemic and the war in Ukraine.

#### COVID-19 PANDEMIC

In the reporting period, the COVID-19 pandemic did not materially affect the Company's or the Group's operations.

Its potential effect on the Company and the Group, their financial condition and results in subsequent periods depends on a number of factors that are beyond the Company's control, including the duration and intensity of the pandemic and measures taken by governments to contain it and protect the public against the effects of the crisis and thus its ultimate impact on the economy. The Management Board continues to monitor the COVID-19 situation and its impact on the economy on an ongoing basis and takes adequate precautions.

#### WAR IN UKRAINE

In the reporting period, the armed conflict in Ukraine did not materially affect the Company's or the Group's operations.

The Group has a subsidiary based in Moscow (SECO/WARWICK Rus), operating as an intermediary in the sale of the Group's products in Russia. The Group holds 100% of shares in the share capital of this subsidiary, which is fully consolidated. Another Group member is OOO SCT, a jointly-controlled company based in Solnechnogorsk, which provides heat treatment services in Russia. The Group holds 50% of OOO SCT's share capital and 50% of

voting rights at its general meeting (the remaining 50% of its share capital and voting rights are held by an entity governed by Russian law). OOO SCT is equity-accounted. The Group does not hold any assets (companies, non-current assets) situated in Ukraine or Belarus.

The Management Board keeps track of the economic sanctions imposed on the Russian Federation and Belarus and makes sure that all of its business activities are conducted in full compliance with the economic sanctions which must be respected by the Company, whether direct or indirect and whether imposed on persons or on activities. As at the date of this report, following imposition of economic sanctions, work was suspended whose completion is necessary to fulfil a contract in Russia, pending clearance from the Polish Ministry of Economic Development and Technology.

The Company and other Group companies did not advance any loans to SECO/WARWICK Rus or OOO SCT. Also, as at June 30th 2022:

- the net assets of SECO/WARWICK Rus amounted to PLN 2.1m,
- the Group had PLN 7.9m in outstanding security deposits placed with customers in the markets east of Poland.

As at the date of authorisation of these financial statements, the Group did not recognise any impairment losses on any of these assets as it does not expect that the deposits will not be repaid, and SECO/WARWICK Rus's assets continue to be fully available for the Group.

The Group's Management Board is monitoring the situation and, if justified, the assets will be remeasured in the subsequent reporting periods in 2022 or later.

However, based on current observations, the Company identifies the following main areas of a possible impact of the war in Ukraine on the Company's and the Group's operations and financial condition in the second half of 2022:

- increased volatility of exchange rate movements,
- a global economic downturn coupled with growing inflation (stagflation),
- increased geopolitical risk, resulting in a risk of lower investment activity in the industries of the Group's customers,
- further supply chain disruptions – shortages of some components, feedstocks and materials, such as steel, and significant price hikes,
- growing costs of energy (electricity, fuels and natural gas),
- rising interest rates resulting in higher finance costs,
- IT risks.

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.

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 delays in contract performance, contract terminations, or insolvencies of the Group's customers. The Management Board regularly monitors and analyses the situation, the value of orders, and the stage of completion of contracts, to take steps aimed at securing the Group's operations, if required.

So far, the Group has not experienced any significant problems with the availability of feedstocks, materials or goods.

### **2.3. Changes in the Group structure in H1 2022, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations**

In the six months ended June 30th 2022, 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 2022 in light of the results presented in the H1 2022 report

The SECO/WARWICK Management Board did not publish any forecasts of the Company's or the Group's financial results in 2022.

#### 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 2022

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 2022 report, that is May 16th 2022, and as at the issue date of the H1 2022 report, that is September 9th 2022

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%
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	5.83%
Metlife Otwarty Fundusz Emerytalny	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.

#### Treasury shares

As at September 9th 2022, SECO/WARWICK S.A. holds 1,802,189 treasury shares, representing 17.50% of the share capital. The Company does not exercise voting rights in respect of the treasury shares.

#### 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 2022 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 2022 and H1 2022 reports.

	May 16 2022			Decrease/increase	Sep 9 2022			Total par value of shares (PLN)
	Number of S/W shares held	Ownership interest	% of total voting rights		Number of S/W shares held	Ownership interest	% of total voting rights	
Management Board								

Sławomir Woźniak	92,490	0.90%	0.90%	-	92,490	0.90%	0.90%	18,498
Bartosz Klinowski	121,753	1.18%	1.18%	-	121,753	1.18%	1.18%	24,351
Earl Good	26,225	0.25%	0.25%	-	26,225	0.25%	0.25%	5,245
Piotr Walasek	45,096	0.44%	0.44%	-	45,096	0.44%	0.44%	9,019
<b>Supervisory Board</b>								
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)	1,060	0.01%	0.01%	-	1,060	0.01%	0.01%	212
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz (2)	-	-	-	-	-	-	-	-
Robert Jasiński (3)	-	-	-	-	-	-	-	-
Maciej Karnicki (4)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>361,400</b>	<b>3.51%</b>	<b>3.51%</b>	<b>-</b>	<b>361,400</b>	<b>3.51%</b>	<b>3.51%</b>	<b>72,280</b>

(1) Mr Henryk Pilarski served on the Supervisory Board until May 25th 2022.

(2) Mr Jacek Tucharz served on the Supervisory Board until May 25th 2022.

(3) Mr Robert Jasiński has been serving on the Supervisory Board since May 25th 2022.

(4) Mr Maciej Karnicki has been serving on the Supervisory Board since May 25th 2022.

Item	May 16 2022	Sep 9 2022
Number of shares	10,298,554	10,298,554
Par value per share	0.20	0.20
<b>Share capital</b>	<b>2,059,710.80</b>	<b>2,059,710.80</b>

From the issue date of the Q1 2022 report, i.e. May 16th 2022, to the issue date of the H1 2022 report, 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 the first half of 2022, neither the Company nor any other SECO/WARWICK Group company was party (whether jointly or individually) to any material proceedings.

For detailed information on material proceedings, see Note 34 to the consolidated financial statements for the period ended December 31st 2021. By the date of issue of these financial statements, the Company had not received any additional information in this respect.



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

In the first half of 2022, SECO/WARWICK S.A. and its subsidiaries did not enter into any non-routine or non arm's-length transactions with related parties which would be material to the Group.

**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 the first half of 2022, SECO/WARWICK S.A. and its subsidiaries did not issue any sureties for borrowings, loans or guarantees to a single entity or such entity's subsidiary where the total amount of outstanding sureties or guarantees would be significant.

**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 May 25th 2022, the Annual General Meeting appointed the following persons to the Company's Supervisory Board for a new term of office:

Andrzej Zawistowski Jeffrey Boswell Marcin Murawski Maciej Karnicki Robert Jasiński

On June 29th 2022, pursuant to General Meeting Resolution No. 20 on allocation of the net profit for 2021 and payment of dividend, the Company paid a dividend of PLN 2,548,909.50 (two million, five hundred and forty-eight thousand, nine hundred and nine złoty, 50/100). Dividend per share was PLN 0.30.

In the six months ended June 30th 2022, no events other than those discussed above and in Section 2.2 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 16th 2021, by Resolution No. 1/2021 the Supervisory Board defined the individual targets for 2022 for the participants of the Incentive Scheme, as announced by the Company in Current Report No. 21/2021 of December 17th 2021. 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 2022. 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 Scheme participant.

Costs incurred in the first half of 2022 in connection with the Incentive Scheme for 2022–2024 amounted to PLN 724 thousand.

Costs incurred in the first half of 2022 in connection with the Incentive Scheme for 2018–2020 amounted to PLN 65 thousand.

Costs of option vesting recognised totalled PLN 789 thousand in the first half of 2022, compared with PLN 522 thousand in the first half of 2021 and PLN 648 thousand for the entire 2021.

**COVID-19 pandemic**

For information on the possible impact of the COVID-19 pandemic, see Section 2.2 of other supplementary information to this Report and Section III of the Notes to the consolidated financial statements for 2021.

**WAR IN UKRAINE**

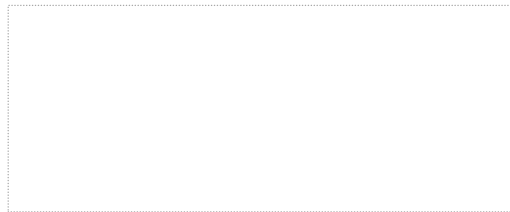
For information on the possible impact of the war in Ukraine, see Section 2.2 of other supplementary information to this Report and Section III of the Notes to the consolidated financial statements for 2021.

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

For information on the possible impact of the COVID-19 pandemic and the war in Ukraine on the Group's business, see Section 2.2 of this Report.

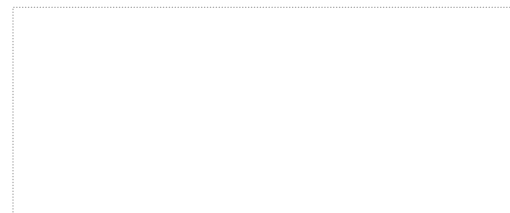
Date: September 9th 2022

President of the Management Board



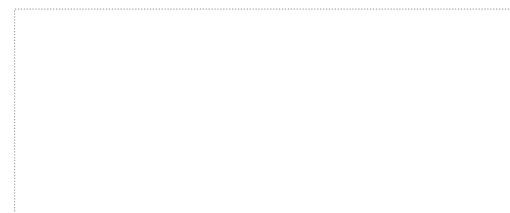
Sławomir Woźniak

Member of the Management Board



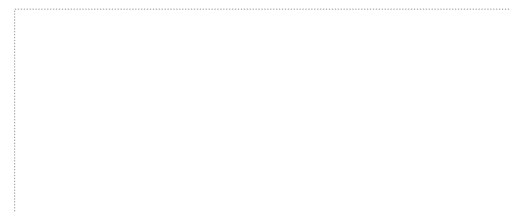
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek