



SECO/WARWICK
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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2022

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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” or the “Parent”). 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 of the reporting entity or other identification data: SECO/WARWICK S.A.

Explanation of changes in the name of the reporting entity or other identification data that occurred after the end of the previous reporting period: no changes occurred in the current reporting period

Registered office: Ul. Sobieskiego 8, 66-200 Świebodzin, Poland

Legal form: Joint-stock company (spółka akcyjna)

Country of registration: Poland

Name of the reporting entity: SECO/WARWICK S.A.

Registered office address: ul. Sobieskiego 8, 66-200 Świebodzin, Poland

Principal place of business: Poland

Principal business activity: the operations of the SECO/WARWICK Group are divided into four main product groups: vacuum furnaces, aluminium heat treatment systems and CAB lines, melting furnaces, aftersales services.

Name of the parent: SECO WARWICK S.A.

Name of the ultimate parent of the group: SECO WARWICK S.A.

Industry Identification Number (REGON): 970011679

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

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.

The financial year of the Parent and the Group companies is the calendar year.

The SECO/WARWICK Group is a producer of heat processing equipment. Thanks to its R&D centre equipped with industrial furnaces and cooperation with technical universities, the Group provides innovative solutions tailored to customer needs.

The SECO/WARWICK Group comprises nine companies operating in three continents. These companies operate and implement technological processes for manufacturers involved with steel, titanium and aluminium production, aluminium recycling, forging, automotive, aerospace, commercial heat treating, HVAC/R, electronics, wind energy, medical equipment, nuclear and other industries.

3. Presented periods

These interim condensed financial statements of the Company cover the three and six months ended June 30th 2022.

Comparative data is presented:

- as at December 31st 2021 – in the case of the consolidated statement of financial position,
- for the period from January 1st to June 30th 2021 and from April 1st to June 30th 2021 – in the case of the interim consolidated statement of comprehensive income,
- for the period from January 1st to June 30th 2021 – in the case of the interim consolidated statement of cash flows,
- for the period from January 1st to June 30th 2021 – in the case of the interim consolidated statement of changes in equity.

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

As at the date of authorisation of these financial statements for issue and as at June 30th 2022 and December 31st 2021, the Management Board of SECO/WARWICK S.A. consisted of:

- Sławomir Woźniak – 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 authorisation of these financial statements for issue and as at June 30th 2022, the Supervisory Board of SECO/WARWICK S.A. consisted of:

- Andrzej Zawistowski – Chairman of the Supervisory Board
- Maciej Karnicki – Deputy Chairperson of the Supervisory Board
- Jeffrey Boswell – Member of the Supervisory Board
- Marcin Murawski – Member of the Supervisory Board
- Robert Jasiński – Member of the Supervisory Board

As at December 31st 2021, the Supervisory Board of SECO/WARWICK S.A. consisted 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 2022 to the date of issue of these financial statements, there were no changes in the composition of the Management Board of SECO/WARWICK S.A.

Changes in the composition of the Supervisory Board:

On May 25th 2022, Mr Maciej Karnicki was appointed as member of the Supervisory Board by Resolution No. 23 of the Annual General Meeting of SECO/WARWICK S.A. On May 25th 2022, Mr Robert Jasiński was appointed as member of the Supervisory Board by Resolution No. 25 of the Annual General Meeting of SECO/WARWICK S.A. At the same time, Mr Henryk Pilarski and Mr Jacek Tucharz were not re-appointed for a new term of office.

5. Audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
ul. Inflancka 4A
00-189 Warsaw, Poland

6. Major holdings of shares

Shareholders holding over 5% of total voting rights at the Company's General Meeting as at June 30th 2022 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)	1,091,952	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.

From the issue date of the Q1 2022 report, i.e. May 16th 2022, to the issue date of the H1 2022 report, there were no changes in the list of shareholders holding more than 5% of voting rights at the Company's General Meeting.

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.

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

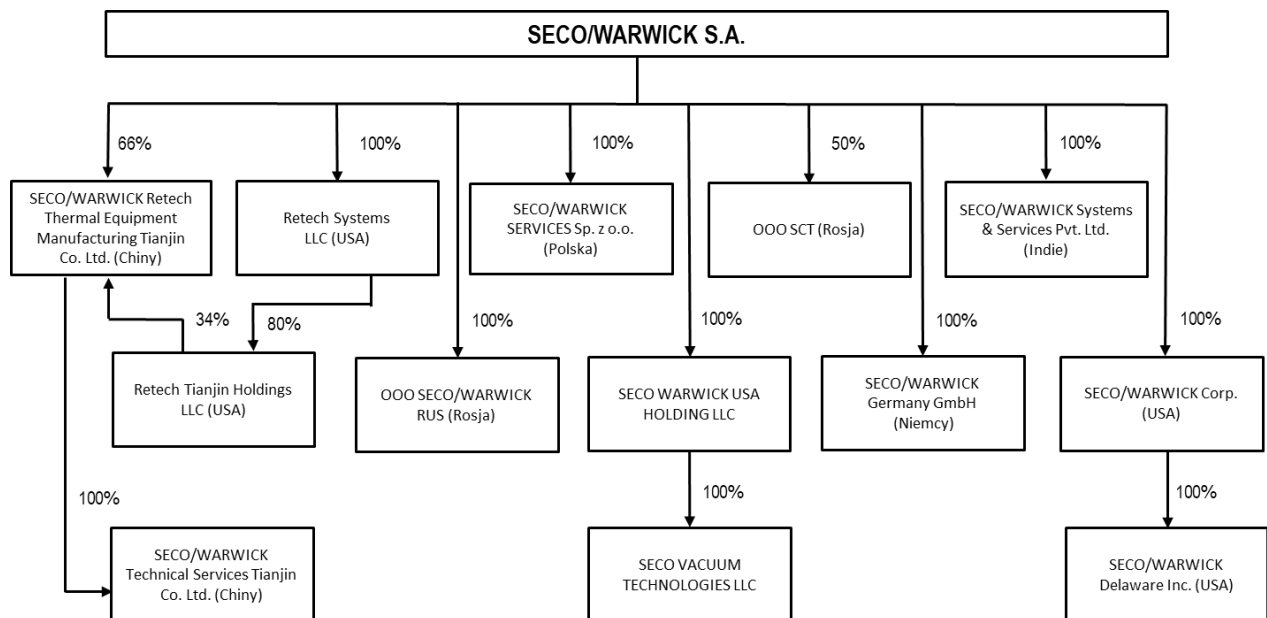
Changes in the composition of the Group:

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.

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 9th 2022.

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

		Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>Note</i>				
Revenue	1.2	272,370	220,991	150,076	116,649
Cost of sales	2	-210,242	-172,612	-114,545	-90,872
Gross profit		62,128	48,379	35,531	25,776
Other income	4	1,076	1,060	584	429
Distribution costs	3	-16,980	-13,352	-9,373	-7,219
Administrative expenses	3	-25,497	-25,029	-13,056	-12,660
Impairment of receivables and contract assets	4	-121	-177	-44	-205
Other expenses	4	-1,810	-1,452	-1,191	-1,102
Operating profit		18,796	9,429	12,452	5,019
Finance income	5	3,657	156	3,605	969
Finance costs	5	-6,062	-1,986	-2,153	-2,734
Share of net profit/(loss) of equity-accounted associates		-365	-101	-98	-69
Profit before tax		16,026	7,497	13,806	3,185
Income tax	6	-2,590	-988	-1,650	14
Net profit/(loss) from continuing operations		13,435	6,510	12,156	3,199
Profit/(loss) from discontinued operations		-	-	-	-
Net profit		13,435	6,510	12,156	3,199
Net profit/(loss) attributable to					
Owners of the parent		13,048	6,410	11,867	3,201
Non-controlling interests		387	100	289	-3

		Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Profit		13,435	6,510	12,156	3,199
OTHER COMPREHENSIVE INCOME:					
Items not to be reclassified to profit/(loss) in subsequent reporting periods		-113	1,578	-113	1,578
Actuarial gains on a defined benefit pension plan	23	-113	1,578	-113	1,578
Items which may be reclassified to profit/(loss) in subsequent reporting periods		2,971	2,375	1615	-27
Valuation of cash flow hedge derivatives	15	-1,301	1,293	-1,113	2,642

Exchange differences on translating foreign operations	4,272	1,082	2,727	-2,668
Other comprehensive income before tax	2,858	3,953	1,502	1,552
Income tax on other comprehensive income	247	-246	211	-502
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	247	-246	211	-502
Total other comprehensive income, net	3,106	3,708	1,714	1,050
Total comprehensive income	16,541	10,218	13,869	4,249

Total comprehensive income attributable to

Owners of the parent	16,427	10,093	13,900	4,280
Non-controlling interests	114	125	-31	-32

EARNINGS PER SHARE:

- basic earnings (loss) per share	1.54	0.71	1.40	0.36
- diluted earnings (loss) per share	1.49	0.71	1.35	0.35
- basic earnings/(loss) per share from continuing operations attributable to owners of the parent	1.54	0.71	1.40	0.36
- diluted earnings/(loss) per share from continuing operations attributable to owners of the parent	1.49	0.71	1.35	0.35
- basic earnings/(loss) per share from discontinued operations attributable to owners of the parent	-	-	-	-
- diluted earnings/(loss) per share from discontinued operations attributable to owners of the parent	-	-	-	-

The statement of comprehensive income should be read in conjunction with the notes and additional information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN '000)

		Jun 30 2022	Dec 31 2021
		(unaudited)	(audited)
	<i>Note</i>		
ASSETS			
Property, plant and equipment	8	53,098	52,875
Right-of-use assets	9	24,500	20,993
Investment property		274	286
Goodwill	13	31,748	31,748
Intangible assets	10	47,643	47,248
Long-term receivables		1,348	1,457

Other financial assets		65	3
Deferred tax assets		2,759	1,714
Non-current assets		161,434	156,324
Inventories	11	97,641	62,790
Trade receivables and other short-term receivables	16	114,510	101,888
Income tax assets		1,482	280
Other financial assets		-	35
Other non-financial assets		3,546	2,620
Contract assets	14	105,092	78,434
Cash and cash equivalents		59,214	54,225
Current assets other than held for sale		381,483	300,272
Assets classified as held for sale		-	-
Current assets		381,483	300,272
TOTAL ASSETS		542,918	456,596

The statement of financial position should be read in conjunction with the notes and additional information.

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

		Jun 30 2022	Dec 31 2021
		(unaudited)	(audited)
	<i>Note</i>		
EQUITY AND LIABILITIES			
Share capital		3,616	3,616
Share premium reserve		78,666	78,666
Treasury shares		-28,532	-28,532
Other components of equity		68,901	64,620
Retained earnings		84,140	73,754
Equity attributable to owners of the parent		206,791	192,124
Non-controlling interests		1,494	1,377
Equity		208,285	193,501
Borrowings	16	10,275	12,586
Lease liabilities		16,605	13,952
Derivative financial instruments	15	499	90
Deferred tax liabilities		18,507	18,194
Employee benefit obligations	24	1,143	1,143
Contract liabilities	14	1,357	1,357
Non-current liabilities		48,387	47,322
Borrowings	16	64,067	37,207

Lease liabilities		5,195	4,589
Derivative financial instruments	15	6,657	3,782
Trade and other liabilities		77,079	62,382
Employee benefit obligations	24	17,482	19,130
Other provisions	23	9,191	9,766
Contract liabilities	14	106,574	78,917
Current liabilities		286,246	215,773
Total liabilities		334,633	263,095
TOTAL EQUITY AND LIABILITIES		542,918	456,596

The statement of financial position should be read in conjunction with the notes and additional information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(PLN '000)

	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before tax	16,026	7,497
Total adjustments:	-22,820	2,212
Share of net (profit)/loss of a jointly controlled entity	365	101
Depreciation and amortisation	7,067	6,321
Foreign exchange gains/(losses)	-490	154
Adjustments due to finance income (cost)	1,238	292
Gain/(loss) on investing activities	318	160
Other adjustments	-490	1,197
Changes in items of the statement of financial position:		
Change in provisions	-1,999	1,961
Change in inventories	-32,482	-138
Change in receivables	-6,409	24,124
Change in current liabilities other than financial liabilities	9,680	13,300
Change in contract assets and liabilities	-2,366	-45,700
Change in currency derivative instruments	1,957	-82
Adjustments due to share-based payments	789	522
Cash provided by operating activities	-6,794	9,709
Income tax paid	-2,253	-630
Net cash from operating activities	-9,047	9,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of intangible assets and property, plant and equipment	443	1,119
Other proceeds from financial assets	-	30
Investments in intangible assets and property, plant and equipment	-4,624	-6,578
Other cash used in investing activities	-35	-
Net cash from investing activities	-4,216	-5,429
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	30,504	254
Grants received	203	539
Dividends and other distributions to owners	-2,549	-
Repayment of bank borrowings	-6,103	-7,408
Payment of lease liabilities	-2,336	-1,903
Payment of interest	-1,396	-367
Net cash from financing activities	18,323	-8,885
Increase (decrease) in cash and cash equivalents before the effect of exchange rate changes	5,059	-5,237
Effect of exchange rate changes on cash and cash equivalents	-70	346

Increase (decrease) in cash and cash equivalents	5,004	-4,875
Cash and cash equivalents at beginning of period	54,225	52,558
Cash and cash equivalents at end of period	59,214	47,667

The statement of cash flows should be read in conjunction with the notes and additional information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(PLN '000)

	Share capital	Share premium reserve	Treasury shares	Other components of equity	Retained earnings / accumulated losses	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Equity as at Jan 1 2022	3,616	78,666	-28,532	64,620	73,754	192,124	1,377	193,501
Profit/loss for period	-	-	-	-	13,048	13,048	387	13,435
Other comprehensive income	-	-	-	3,492	-113	3,379	-273	3,106
Total comprehensive income for the period	-	-	-	3,492	12,935	16,427	114	16,541
Payment of dividends	-	-	-	-	-2,549	-2,549	-	-2,549
Valuation of management stock option plan	-	-	-	789	-	789	-	789
Other	-	-	-	-	-	-	3	3
Changes in equity	-	-	-	4,281	10,386	14,667	117	14,784
Equity as at Jun 30 2022 (unaudited)	3,616	78,666	-28,532	68,901	84,140	206,791	1,494	208,285
Equity as at Jan 1 2021	3,616	78,666	-22,338	49,866	71,369	181,179	852	182,031
Profit for period	-	-	-	-	6,410	6,410	100	6,510
Other comprehensive income	-	-	-	2,105	1,578	3,683	25	3,708
Total comprehensive income for the period	-	-	-	2,105	7,988	10,093	125	10,218
Sale of treasury shares under the incentive scheme	-	-	-	522	-	522	-	522
Payment of dividends	-	-	-	-	-4,944	-4,944	-	-4,944
Changes in equity	-	-	-	2,627	3,044	5,671	125	5,795
Equity as at Jun 30 2021 (unaudited)	3,616	78,666	-22,338	52,493	74,414	186,850	978	187,829

The statement of changes in equity should be read in conjunction with the notes and additional information.



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

JUNE 30TH 2022

BASIS OF ACCOUNTING

I. Basis of accounting

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 prepared in accordance with EU IFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2021, authorised for issue on April 21st 2022.

II. Going concern assumption and comparability of accounts

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future.

As at June 30th 2022, the Parent's Management Board carried out an analysis of the Group's ability to continue as a going concern, taking into account the COVID-19 pandemic and the war in Ukraine, as well as other factors, including the current order book, projected cash flow estimates, the amount of working capital, debt and available credit facilities. Based on the analysis, the Parent's Management Board did not identify any material uncertainty as to the Group's ability to continue as a going concern. In the opinion of the Company's Management Board, the decline in sales in Ukraine and Russia following the Russian invasion of the former country has been offset by sales in other geographies.

However, the Management Board is aware that both the pandemic and the war in Ukraine are highly unpredictable and uncertain, which may affect the Group's financial performance in future periods.

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 2022, no events occurred which have not but should have been disclosed in the accounting records for the reporting period. No material events related to prior years have been disclosed in these financial statements.

IV. Basis of consolidation

In the six months ended June 30th 2022, there were no changes in the Group's composition relative to December 31st 2021 or in the basis of consolidation.

V. Applied accounting policies, including methods of measurement of assets, equity and liabilities, revenue 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.

Historical cost is generally determined on the basis of fair value of the consideration paid for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring an asset or liability at fair value, the Group takes into account the characteristics of the asset or liability if market participants take these characteristics into account when measuring the assets or liabilities at the measurement date.

These interim condensed consolidated financial statements are presented in the Polish złoty (“PLN”) and, unless specified otherwise, all amounts are given in thousands of PLN. Any differences between the total amounts and the sum of their components are due to rounding. 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.

Other new or amended standards and interpretations which have been applied for the first time in 2021 do not have a material effect on the Group’s interim condensed consolidated financial statements.

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 2021, except for the application of new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2022.

Other new or amended standards and interpretations which have been applied for the first time in 2022 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 VII of the 2021 consolidated financial statements.

VII. Changes in accounting policies and adjustments

The same accounting policies as described in the consolidated financial statements prepared as at and for the year ended December 31st 2021 were applied by the Group in the preparation of these interim condensed consolidated financial statements.

These financial statements have been prepared in accordance with IFRSs as endorsed by the EU, issued and effective for reporting periods beginning on or after January 1st 2022.

1. New standards, interpretations and amendments to existing standards effective in 2022

Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements to IFRSs 2018–2020 Cycle.

The package of amendments contains three amendments to the standards:

- Amendments to IFRS 3 Business Combinations, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
- Amendments to IAS 16 Property, Plant and Equipment, which rule out the possibility of deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Such revenue and related costs should be recognised in profit or loss for the period.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets explain what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which include explanations and clarifications regarding the provisions of IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and illustrative examples for IFRS 16 Leases.

These amendments have had no effect on the Group’s consolidated financial statements.

2. Standards and interpretations not applied in these financial statements

Standards and interpretations	Type of expected change in accounting policies
<p>IFRS 17 <i>Insurance Contracts</i> (issued on May 18th 2017); including Amendments to IFRS 17 (issued on June 25th 2020)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; prospective application, with early application permitted)</p>	<p>IFRS 17 supersedes the temporary IFRS 4, introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national accounting standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the issue of a lack of comparability resulting from the application of IFRS 4 by requiring consistent recognition of all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost.</p>
<p>Amendments to IAS 1 <i>Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies</i> (issued on February 12th 2021)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)</p>	<p>Amendments to IAS 1 clarify the scope of disclosures of significant accounting policies in the entity’s financial statements. In accordance with the amendments, in financial statements entities should disclose their material accounting policies rather than their significant accounting policies.</p>

Standards and interpretations

Type of expected change in accounting policies

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of accounting estimates (issued on February 12th 2021)

(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)

The amendments introduce the definition of accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify the relationship between accounting policies and accounting estimates, indicating that an entity develops accounting estimates to meet the objectives set out in the accounting policies.

Amendments to IAS 1 *Presentation of Financial Statements*: Classification of liabilities as current or non-current and classification of liabilities as current or non-current – deferral of effective date (issued on January 23rd 2020 and July 15th 2020, respectively)

(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)

The amendments clarify that the presentation of liabilities as current or non-current should only be based on the existence at the end of the reporting period of the entity's right to defer settlement for at least twelve months after the reporting period and on complying with conditions for such deferral as at the reporting date. Such classification is not affected by the management's intentions or expectations about whether and when the entity will exercise its right. The amendments also provide clarifications as to events which are deemed settlement of a liability.

Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on May 7th 2021)

(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)

The amendments narrow the scope of application of the deferred tax exemption and indicate that such exemption may not be applied to transactions where an entity recognises both an asset and a liability that give rise to equal taxable and deductible temporary differences. Consequently, an entity should recognise both a deferred tax asset and a deferred tax liability for temporary differences arising from initial recognition of lease contracts and decommissioning obligations.

Amendments to IFRS 17 *Insurance Contracts*: First application of IFRS 17 and IFRS 9 – comparative data (issued on December 9th 2021)

(Effective for annual periods beginning on or after January 1st 2023)

The amendment introduces a new option to apply IFRS 17 for the first time to reduce the operational complexity and the accounting mismatch in the comparative data between insurance contract liabilities and related financial assets at the time of initial application of IFRS 17. The amendment enables comparative data on financial assets to be presented in a manner that is more consistent with IFRS 9 *Financial Instruments*.

The Group did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective.

The Group's Management Board does not expect the application of the new standards and interpretations to have any material effect on the financial statements.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30TH 2022**

Note 1. REVENUE

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

Item	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Revenue from sale of finished goods and services	269,925	217,971	150,057	115,044
- including revenue recognised over time	230,632	187,898	131,474	95,466
Revenue from sale of merchandise and materials	2,445	3,020	18	1,605
TOTAL revenue	272,370	220,991	150,075	116,649
Other income	1,076	1,060	584	429
Finance income	3,657	156	3,605	969
TOTAL revenue and income	277,103	222,207	154,264	118,047

Revenue by geographical markets:

Item	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
European Union	99,033	44,067	51,028	21,060
Russia	10,754	36,032	5,237	15,600
USA	86,311	56,628	50,284	34,400
Asia	72,056	71,767	42,016	41,186
Other	4,215	12,499	1,509	4,401
TOTAL revenue	272,370	220,991	150,075	116,649

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

For detailed information on recognition of revenue by the Group, see Section VI of its Consolidated Financial Statements for 2021.

Item	MAIN PRODUCTS Jan 1–Jun 30 2022					Other	Total
	Vacuum Furnaces	Aluminium Process	Melting Furnaces	Aftersales services	Total		
Total revenue	97,355	63,694	54,399	56,264	271,713	657	272,370
Cost of sales	-76,341	-49,195	-46,745	-37,473	-209,753	-489	-210,242
Gross profit/(loss)	21,014	14,499	7,654	18,792	61,959	169	62,128

Item	MAIN PRODUCTS APR 1–JUN 30 2022					Other	Total
	Vacuum Furnaces	Aluminium Process	Melting Furnaces	Aftersales services	Total		
Total revenue	49,545	37,999	33,205	28,968	149,716	360	150,076
Cost of sales	-39,068	-28,549	-28,430	-18,209	-114,256	-288	-114,545
Gross profit/(loss)	10,476	9,450	4,774	10,758	35,459	72	35,531

Item	MAIN PRODUCTS JAN 1–JUN 30 2021					Other	Total
	Vacuum Furnaces	Aluminium Process	Melting Furnaces	Aftersales services	Total		
Total revenue	64,211	47,364	64,985	42,709	219,269	1,722	220,991
Cost of sales	-48,994	-36,679	-51,532	-31,741	-168,946	-3,666	-172,612
Gross profit/(loss)	15,217	10,685	13,454	10,968	50,323	-1,944	48,379

Item	MAIN PRODUCTS APR 1–JUN 30 2021					Other	Total
	Vacuum Furnaces	Aluminium Process	Melting Furnaces	Aftersales services	Total		
Total revenue	37,200	24,532	32,834	22,454	117,020	-371	116,649
Cost of sales	-28,068	-19,160	-24,736	-17,589	-89,554	-1,319	-90,873
Gross profit/(loss)	9,132	5,372	8,098	4,865	27,466	-1,690	25,776

None of the Group's customers accounts for 10% or more of its total revenue.

Note 2. OPERATING SEGMENTS

The Group operates in many markets around the globe, selling metal heat treatment equipment manufactured using three main technologies. As at the reporting date, the Group's main production centres were situated in Poland and China. Sales, handled by the individual Group companies, are made by the companies in global markets, usually related to their place of registration, although in practice there are often deviations from this allocation, especially if the company also has customers outside its country of registration. The SECO/WARWICK Group's key markets include Europe, the United States and China.

Based on the geographical criterion, the Group identifies two main operating segments: "China" and "Rest of the World".

The Chinese market accounts for an significant share of the SECO/WARWICK Group's revenue. The Chinese market is also a separate point of reference for the Group's operations and it is possible to allocate cash inflows to assets in that market. In principle, separate flows are generated from deliveries to the Chinese market (related to production by the plant in China and independent assets in China).

The Rest of the World segment includes mainly revenue generated in Europe and the United States. Apart from China, production and sales are global and are carried out based on the same assets – the assets of all the other Group companies. For these reasons, the second cash-generating unit is "Production and Distribution – Rest of the World".

	Jun 30 2022		Jun 30 2021	
	Production and distribution – Rest of the World	Production and distribution – China	Production and distribution – Rest of the World	Production and distribution – China
Total revenue	238,327	34,043	194,441	26,550
Sales to customers accounting for 10% or more of revenue	-	-	-	-
Cost of sales	-187,179	-23,063	-151,674	-20,938
Gross profit/(loss)	51,148	10,980	42,767	5,612
Non-current assets	452,474	90,444	383,947	48,766

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Depreciation and amortisation	7,067	6,321	3,718	3,118
Raw materials and consumables used	135,927	106,991	81,202	60,677
Services	30,746	35,466	11,923	16,809
Taxes and charges	988	869	474	446
Salaries and wages	50,904	40,649	27,381	20,256
Social security and other benefits	12,586	10,280	6,432	5,028
Other expenses	10,694	7,331	5,793	3,113
Total operating expenses, including:	248,912	207,906	136,923	109,448
Distribution costs	-16,980	-13,352	-9,373	-7,219
Administrative expenses	-25,497	-25,029	-13,056	-12,660
Change in products	9,728	6,767	1,647	3,047
Cost of work performed by entity and capitalised	-5,921	-3,681	-1,596	-1,744
Cost of products sold and services rendered	210,242	172,612	114,545	90,872

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Reversal of inventory write-downs	160	-	160	-
Gain on disposal of property, plant and equipment	111	-	52	-
Penalties and compensation received	10	9	10	25
Income from lease of property, plant and equipment and investment property	441	439	228	241
Impairment losses on property, plant and equipment	-	8	-	8
Accounting for lease in connection with decision not to exercise the right to purchase the leased asset	87	281	83	155
Other	267	323	51	-
Total other income	1,076	1,060	584	429

OTHER EXPENSES	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Inventory write-downs	976	817	655	507
Loss on disposal of property, plant and equipment	17	198	17	198
Court expenses, compensation/damages, penalties	39	2	4	-
Cost related to income from lease of property, plant and equipment	347	289	166	150
Donations	19	2	3	1
Other	411	145	346	246

Total other expenses	1,810	1,452	1,191	1,102
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Impairment of receivables and contract assets	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Impairment of receivables	121	86	44	114
Impairment of contract assets	-	91	-	91
Impairment of receivables and contract assets	121	177	44	205

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Interest income	94	153	41	65
Net loss on derivative instruments	-	-	-	746
Net foreign exchange gains	3,442	-	3,442	-
Other	122	2	122	158
Total finance income	3,657	156	3,605	969

FINANCE COSTS	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Payment of interest	1,693	418	1,235	232
Interest on leases	436	270	264	98
Net loss on derivative instruments	3,552	481	1,852	-
Net foreign exchange losses	-	607	-1,280	2,406
Other	381	212	83	-
Total finance costs	6,061	1,986	2,153	2,734

Note 6. INCOME TAX

In the six months ended June 30th 2022, the effective tax rate was 16%, having changed slightly on the corresponding period ended June 30th 2021, when it stood at 13%.

Note 7. IMPAIRMENT LOSSES AND WRITE-DOWNS

Impairment losses and write-downs as at	Jun 30 2022	Dec 31 2021
Trade receivables	15,621	15,501
Goodwill	44,946	44,946
Inventories	11,671	10,855
Contract assets	341	341
Property, plant and equipment	4	3

IMPAIRMENT LOSSES ON TRADE RECEIVABLES	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
At beginning of period	15,501	14,497
Increase	121	86
Reversal (-)	-	-

Use (-)	-	-
Net exchange differences on translating financial statements into presentation currency	-	-25
At end of period	15,621	14,558

Having assessed the impact of the economic situation and the war in Ukraine, the Group did not identify any indications that goodwill or development work had to be tested for impairment.

Note 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Jun 30 2022	Dec 31 2021
Land	32	32
Buildings and structures	28,482	27,800
Machinery and equipment	15,101	15,344
Vehicles	845	767
Other	7,581	7,321
Total	52,040	51,264
Property, plant and equipment under construction	1,058	1,611
Total property, plant and equipment	53,098	52,875

Note 9. RIGHT-OF-USE ASSETS

Right-of-use assets	Jun 30 2022	Dec 31 2021
Land	2,510	2,529
Buildings and structures	13,152	11,198
Machinery and equipment	4,228	3,661
Vehicles	4,609	3,607
Right-of-use assets	24,500	20,993

Note 10. INTANGIBLE ASSETS

Intangible assets	Jun 30 2022	Dec 31 2021
Patents and licences, software	6,524	6,320
Development expenditure	40,574	40,253
Other intangible assets	545	675
Total intangible assets	47,643	47,248

Note 11. INVENTORIES

Item	Jun 30 2022	Dec 31 2021
Materials	57,210	30,713
Semi-finished products and work in progress	36,617	28,695
Finished goods	3,122	2,733
Merchandise	693	650
Total inventories (carrying amount)	97,641	62,790
Inventory write-downs	11,671	10,855
Gross inventories	109,311	73,646

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	Total
Jan 1 2022	3,462	6,656	733	5	10,855
Increase, including:	561	352	42	-	955
- write-downs recognised in correspondence with other expenses	561	352	42	-	955
Decrease, including:	138	-	-	-	138
- use	138	-	-	-	138
Jun 30 2022	3,885	7,007	775	5	11,672
Jan 1 2021	1,187	6,085	733	5	8,010
Increase, including:	771	363	-	-	1,134
- write-downs recognised in correspondence with other expenses	771	363	-	-	1,134
Decrease, including:	-	150	316	-	466
- use	-	-	316	-	316
Net exchange differences on translating financial statements into presentation currency	-	150	-	-	150
Jun 30 2021	1,957	6,298	417	5	8,677
Jan 1 2021	1,187	6,085	733	5	8,009
Increase, including:	2,275	588	-	-	2,863
- write-downs recognised in correspondence with other expenses	2,275	588	-	-	2,863
Decrease, including:	-	17	-	-	17
Net exchange differences on translating financial statements into presentation currency	-	17	-	-	17
Dec 31 2021	3,462	6,656	733	5	10,855

Note 12. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

On April 21st 2022, the Supervisory Board approved SECO/WARWICK S.A. Management Board's proposal, contained in the Management Board Resolution No.1/2022 of April 21st 2022, on allocation of SECO/WARWICK S.A.'s net profit for 2021.

On April 21st 2022, in Current Report No. 2/2022, the Company announced the Management Board's dividend proposal. The Management Board proposed that the Company's net profit of PLN 8,324,846.47 (eight million, three hundred and twenty-four thousand, eight hundred and forty-six zloty, 47/100) be allocated as follows:

- PLN 2,548,909.50 (two million, five hundred and forty-eight thousand, nine hundred and nine zloty, 50/100) – for payment of dividend to shareholders,

- PLN 5,775,936.97 (five million, seven hundred and seventy-five thousand, nine hundred and thirty-six złoty, 97/100) – to the Company’s statutory reserve funds.

Furthermore, the Management Board recommended that the dividend record date (Day R) should be June 15th 2022 and that the dividend payment (Day P) should be June 29th 2022.

On May 25th 2022, the Annual General Meeting resolved to distribute the Company’s net profit for 2021 in accordance with the Management Board’s proposal.

The dividend was paid on June 29th 2022.

Note 13. GOODWILL

Item	Jun 30 2022	Dec 31 2021
Consolidation goodwill at beginning of period	31,748	31,748
Total goodwill at end of period	31,748	31,748

Note 14. 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 2022	Dec 31 2021
From customers under construction contracts	105,092	78,434
To customers under construction contracts	-107,932	-80,274
	-2,840	-1,840

Contract assets

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

In view of the performance of large contracts for individual customers, the Group believes that there is a concentration of credit risk with respect to contract assets and receivables. Therefore, in order to determine impairment losses the Group analyses balances on a case-by-case basis. The Group’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 2022 were as follows:

	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
Opening balance	78,434	70,022
Increase	238,633	171,200
Invoiced amounts transferred to trade receivables	-213,446	-158,643
Change in impairment losses, net	-	91
Exchange differences	1,470	285
Closing balance	105,092	82,956

Contract liabilities

Contract liabilities of approximately PLN 56,324 thousand as at January 1st 2022 were recognised as revenue generated in the six months ended June 30th 2022.

The significant amounts of contract assets and liabilities result from the payment schedules agreed with the customers and are recognised at the level of individual contracts.

As at June 30th 2022, the transaction price allocated to unsatisfied performance obligations under contracts with customers was PLN 107,932 thousand. The following table shows the time periods during which the Group expects to satisfy those performance obligations and recognise related revenue.

	Jun 30 2021	Dec 31 2021
Up to 1 year	106,574	78,917
1–2 years	1,357	1,357
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
In more than 5 years	-	-
Total unsatisfied performance obligations	107,932	80,274

Note 15. OTHER FINANCIAL ASSETS AND LIABILITIES

	Jun 30 2022		Dec 31 2021	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	62	7,156	35	3,872
Total hedging instruments				
- long-term	62	499	-	90
- short-term	-	6,657	35	3,782

	Jun 30 2022	Dec 31 2021	Change in valuation recognised in other comprehensive income
Gross fair value of instrument recognised in equity (PLN '000)	-3,598	-2,297	1,301
Deferred income tax	-684	-436	247
Net fair value of instrument recognised in equity (PLN '000)	-2,914	-1,861	1,054

Disclosures of derivative financial instruments which qualify for hedge accounting

In the six months ended June 30th 2022, SECO/WARWICK S.A. used currency forwards to hedge on average 48% of its export cash flows denominated in EUR and 49% of its cash flows denominated in USD. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the amounts 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 IFRS 9 paragraph 6.4.1 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 2022.

Jun 30 2022	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Jun 30 2022	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	68,371	28,729	20,979	-2,208	-1,289	-919	Jul 29 2022 – Jan 31 2024
Jun 30 2022	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Jun 30 2022	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	17,861	9,836	9,736	-4,861	-2,187	-2,674	Jul 29 2022 – Dec 29 2023
Jun 30 2022	Notional amount of contract (GBP '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Jun 30 2022	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	210	210	210	-25	-20	-5	Aug 31 2022 – Aug 31 2023
TOTAL				-7,094	-3,496	-3,598	

The table below presents total values of hedging relationships open as at December 31st 2021.

Dec 31 2021	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	65,408	29,901	21,115	-1,677	-974	-703	Jan 31 2022 – Apr 13 2023
Dec 31 2021	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	12,463	8,119	7,859	-2,128	-563	-1,565	Jan 31 2021 – Dec 30 2022
Dec 31 2021	Notional amount of contract (GBP '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	210	210	210	-31	-2	-29	Jun 30 2022 – Jun 30 2023
TOTAL				-3,836	-1,539	-2,297	

Note 16. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Item	Jun 30 2022	Dec 31 2021
Trade receivables	88,834	83,570
- trade receivables, with maturities of up to 12 months	88,834	83,570
Total other short-term receivables	25,675	18,317
- prepayments	11,284	5,629
- taxes, customs duties, social security	12,102	10,561
- sale of S/W Brasil shares	-	328
- other receivables	2,289	1,799
Total net trade and other receivables	114,510	101,888
Impairment losses (positive value)	15,621	15,501
Total gross trade and other receivables	130,131	117,388

The Group assesses its receivables for impairment on an individual and group basis. Receivables are considered individually if there is objective evidence of impairment that may adversely affect future cash flows. Material objective indications include, for example, the initiation of court proceedings against the debtor, serious financial distress of the debtor, or materially past due payments. With respect to short-term trade receivables which are assessed on a group basis and have no significant financing component, the Group applies the simplified approach required under IFRS 9 and measures impairment losses in the amount of credit losses expected over the entire lifetime of a receivable since its initial recognition. The Group applies the provision matrix to calculate impairment losses on trade receivables classified in past due periods. For an analysis of expected credit losses on contract assets, see Note 14. Contract assets/liabilities

Note 17. TRADE AND OTHER LIABILITIES

Item	Jun 30 2022	Dec 31 2021
<i>Trade payables</i>		
To other entities	66,389	52,016
Total		
Taxes, customs duties, social security and other charges payable	9,763	8,912
Income tax payable	125	120
Other liabilities	802	1,334
Total other payables	10,690	10,366
Total trade and other payables	77,079	62,382

Note 18. BORROWINGS

Borrowings	Jun 30 2022	Dec 31 2021
Overdrafts	59,324	32,554
Investment credit facility	14,733	17,035
Credit card limits	286	203
Total	74,343	49,792

Borrowings

As at Jan 1 2022	49,792
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Increase, including:	32,955
- funds borrowed under overdraft facilities	32,873
- funds borrowed within credit card limit	82
Decrease, including:	8,405
- repayment of overdrafts	6,103
- repayment of investment credit facility	2,302
As at Jun 30 2022	74,343

Note 19. OFF-BALANCE-SHEET ITEMS

Contingent liabilities

As at June 30th 2022, contingent liabilities under performance bonds (bank guarantees) issued amounted to PLN 14,968 thousand (year-end 2021: PLN 9,250 thousand).

Note 20. SETTLEMENTS RELATED TO COURT CASES

In the six months ended June 30th 2022, no liabilities or receivables of SECO/WARWICK S.A. were disputed in any significant court, arbitration or administrative proceedings with any counterparty or its group.

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 2021. As at the date of authorisation for issue of these financial statements, the Company reassessed the situation and did not identify any need for changes.

Note 21. MATERIAL INFORMATION ON RELATED PARTIES

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

Note 22. OTHER PROVISIONS

Item	Jun 30 2022	Dec 31 2021
Provision for warranty repairs and returns	8,193	8,957
Provision for loss-making contracts	584	511
Other	414	298
Other provisions	9,191	9,766

Note 23. EMPLOYEE BENEFIT OBLIGATIONS

Short-term employee benefit obligations	Jan 1–Jun 30 2022	Jan 1–Dec 31 2021
- accrued holiday entitlements	5,354	3,679
- accrued bonuses	5,204	8,423
- employee benefit obligations	44	44
- current salaries and wages	6,880	6,983
Employee benefit obligations	17,482	19,130

Long-term employee benefit obligations	Jan 1–Jun 30 2022	Jan 1–Dec 31 2021
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at beginning of period	1,143	2,173
increase	-	83
recognition	-	83
use	-	166
reversal	-	947
at end of period	1,143	1,143

RETIREMENT BENEFIT PLANS (SECO/WARWICK CORP.)

Item	Jan 1–Jun 30 2022	Jan 1–Dec 31 2021
Change in plan's obligation		
Obligation as at beginning of period	15,726	16,226
Administration costs		
Interest expense	197	326
Actuarial gain/(loss)	-1,453	-930
Contributions paid	-598	-1,116
Effect of currency translation on presentation currency	1,545	1,220
Obligation as at end of period	15,417	15,726
Change in plan's assets		
Fair value of plan's assets at beginning of period	19,362	16,280
Interest income/(loss) on plan's assets	484	324
Additional gain/(loss) on plan's assets	-1,678	2,484
Contributions paid	-	-
Benefits paid	-598	-1,116
Effect of currency translation on presentation currency	1,928	1,389
Fair value of plan's assets at end of period	19,498	19,362

Note 24. FAIR VALUE HIERARCHY

All derivative 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 2021. 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.

Jun 30 2022

	Level 1	Level 2	Level 3
	PLN'000	PLN'000	PLN'000
Financial assets			
Investments in related entities	-	-	-
Financial assets available for sale (non-current)	-	-	-
Loans advanced (short-term)	-	-	-
Loans advanced (long-term)	-	-	-
Trade and other receivables	-	-	-
Derivative financial instruments	-	62	-
- <i>Currency forwards (long-term)</i>	-	62	-
- <i>Currency forwards (short-term)</i>	-	-	-
Cash and cash equivalents	-	-	-
Sureties issued	-	-	-
Total	-	62	-
Financial liabilities			
current			
Interest-bearing borrowings, including:	-	-	-
- <i>Overdraft facility</i>	-	-	-
- <i>Short-term borrowings</i>	-	-	-
- <i>Finance lease liabilities (short-term)</i>	-	-	-
Trade and other payables	-	-	-
Currency forwards	-	6,657	-
long-term			
Long-term borrowings bearing interest at variable rates	-	-	-
Currency forwards	-	499	-
Other liabilities (non-current), including:	-	-	-
- <i>Finance lease liabilities</i>	-	-	-
Total	-	7,156	-

Note 25. 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 26. EVENTS NON-TYPICAL DUE TO THEIR NATURE, SCALE OR FREQUENCY

In the six months ended June 30th 2022, based on current observations, the following main areas of possible impact of the COVID-19 pandemic and the war in Ukraine on the Company's and the Group's financial condition were identified:

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.

Note 27. MATERIAL EVENTS WHICH OCCURRED AFTER THE END OF THE REPORTING PERIOD AND ARE NOT DISCLOSED IN THESE FINANCIAL STATEMENTS

No such events occurred.

Note 28. MANAGEMENT STOCK OPTIONS

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.



INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2022

INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

		Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>Not e</i>				
Revenue	1.2	144,425	133,544	72,310	72,183
Cost of sales	2	-116,291	-108,869	-57,586	-59,721
Gross profit		28,134	24,675	14,724	12,461
Other income	4	1,408	1,114	979	614
Distribution costs	3	-8,283	-7,914	-4,729	-4,233
Administrative expenses	3	-11,738	-12,104	-5,765	-6,471
Impairment of receivables and contract assets	4	-	336	-	336
Other expenses	4	-1,167	-1,168	-728	-822
Operating profit		8,353	4,939	4,481	1,884
Finance income	5	4,879	72	4,582	781
Finance costs	5	-5,585	-1,091	-3,211	-1,171
Profit before tax		7,648	3,920	5,852	1,494
Income tax	6	-1,105	-737	-613	-84
Net profit		6,543	3,182	5,239	1,409

	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Profit	6543	3,182	5,239	1,409
OTHER COMPREHENSIVE INCOME:				
Items not to be reclassified to profit/(loss) in subsequent reporting periods	-	-	-	-
Actuarial gains on a defined benefit pension plan	-	-	-	-
Items which may be reclassified to profit/(loss) in subsequent reporting periods	-1,301	1,300	-1,069	2,486
Valuation of cash flow hedge derivatives	-1,301	1,300	-1,069	2,486
Other comprehensive income before tax	-1,301	1,300	-1,069	2,486
Income tax on other comprehensive income	247	-247	203	-472
Income tax relating to components of other comprehensive income that will be reclassified to profit or loss	247	-247	203	-472
Total other comprehensive income, net	-1,054	1,053	-866	2,013
Total comprehensive income	5,489	4,235	4,374	3,422

EARNINGS PER SHARE:

- basic earnings (loss) per share	0.77	0.35	0.62	0.16
- diluted earnings (loss) per share	0.75	0.35	0.60	0.16

The statement of comprehensive income should be read in conjunction with the notes and additional information.

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

		Jun 30 2022	Dec 31 2021
		(unaudited)	(audited)
	<i>Note</i>		
ASSETS			
Property, plant and equipment	7	40,750	41,587
Right-of-use assets	8	11,904	9,937
Investment property		274	286
Intangible assets	9	46,072	46,133
Long-term receivables		1,152	1,279
Investments in related entities	10	58,422	58,422
Other financial assets	12	65	3
Contract costs		-	65
Non-current assets		158,639	157,711
Inventories		42,110	30,045
Trade receivables and other short-term receivables	13	71,552	67,342
Income tax assets	13	900	-
Other financial assets	12	-	2,035
Other non-financial assets		1,589	1,545
Contract costs		1,173	1,809
Contract assets		86,772	65,945
Cash and cash equivalents		12,219	17,878
Current assets other than held for sale		216,315	186,599
Assets classified as held for sale			
Current assets		216,315	186,599
TOTAL ASSETS		374,954	344,310

The statement of financial position should be read in conjunction with the notes and additional information.

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

		Jun 30 2022	Dec 31 2021
		(unaudited)	(audited)
	<i>Note</i>		
EQUITY AND LIABILITIES			
Share capital		3,616	3,616
Share premium reserve		78,666	78,666
Treasury shares		-28,532	-28,532
Other components of equity		46,716	46,981
Retained earnings		82,557	78,563
Equity		183,023	179,294
Borrowings	16	10,129	12,431
Lease liabilities		7,068	5,504
Derivative financial instruments	12	499	90
Deferred tax liabilities		9,302	9,442
Employee benefit obligations		1,061	1,061
Contract liabilities		1,357	1,357
Non-current liabilities		29,415	29,884
Borrowings	16	63,874	33,370
Lease liabilities		2,189	1,926
Derivative financial instruments	12	6,657	3,782
Trade and other liabilities	14	46,342	52,243
Employee benefit obligations	15	10,660	10,767
Other provisions		5,510	6,636
Contract liabilities		27,283	26,408
Liabilities directly related to non-current assets classified as held for sale			
Current liabilities		162,516	135,132
Total liabilities		191,931	165,016
TOTAL EQUITY AND LIABILITIES		374,954	344,310

The statement of financial position should be read in conjunction with the notes and additional information.

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

	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	7,648	3,920
Total adjustments:	-34,677	1,559
Depreciation and amortisation	3,900	3,743
Foreign exchange gains/(losses)	70	-346
Adjustments due to finance income (cost)	1,185	235
Gain/(loss) on investing activities	-112	198
Other adjustments	-87	-281
Changes in items of the statement of financial position:		
Change in provisions	-1,232	2,890
Change in inventories	-12,065	3,606
Change in receivables	-4,084	16,990
Change in current liabilities other than financial liabilities	-5,702	-2,210
Change in contract assets and liabilities	-19,252	-24,479
Change in accruals and deferrals	-44	773
Change in currency derivative instruments	1,957	-82
Adjustments due to share-based payments	789	522
Cash provided by operating activities	-27,029	5,479
Income tax paid	-1,898	-
Net cash from operating activities	-28,926	5,479
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of intangible assets and property, plant and equipment	159	1,022
Other proceeds from financial assets	2,009	30
Investments in intangible assets and property, plant and equipment	-2,414	-3,623
Net cash from investing activities	-246	-2,572
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	30,504	-
Grants received	203	539
Repayment of borrowings	-2,302	-6,800
Dividends and other distributions to owners	-2,549	-
Payment of lease liabilities	-1,078	-940
Payment of interest	-1,194	-265
Net cash from financing activities	23,584	-7,466
Increase (decrease) in cash and cash equivalents before the effect of exchange rate changes	-5,588	-4,559
Effect of exchange rate changes on cash and cash equivalents	-5,659	-4,213

Increase (decrease) in cash and cash equivalents	-70	346
Cash at beginning of period	17,878	15,940
Cash at end of period	12,219	11,727

The statement of cash flows should be read in conjunction with the notes and additional information.

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

	Share capital	Share premium reserve	Treasury shares	Other components of equity	Retained earnings	Total equity
Equity as at Jan 1 2022 (audited)	3,616	78,666	-28,533	46,981	78,563	179,294
Profit for period	-	-	-	-	6,543	6,543
Other comprehensive income	-	-	-	-1,054	-	-1,054
Total comprehensive income for the year	-	-	-	-1,054	6,543	5,489
Payment of dividends	-	-	-	-	-2,549	-2,549
Valuation of management stock option plan	-	-	-	789	-	789
Changes in equity	-	-	-	-265	3,994	3,729
Equity as at Jun 30 2022 (unaudited)	3,616	78,666	-28,533	46,716	82,557	183,023

	Share capital	Share premium reserve	Treasury shares	Other components of equity	Retained earnings	Total equity
Equity as at Jan 1 2021 (audited)	3,616	78,666	-22,338	36,072	88,182	184,198
Profit for period	-	-	-	-	3,182	3,182
Other comprehensive income	-	-	-	1,053	-	1,053
Total comprehensive income for the year	-	-	-	1,053	3,182	4,235
Valuation of management stock option plan	-	-	-	522	-	522
Payment of dividends	-	-	-	-	-4,944	-4,944
Changes in equity	-	-	-	1,575	-1,762	-187
Equity as at Jun 30 2021 (unaudited)	3,616	78,666	-22,338	37,647	86,420	184,011

The statement of changes in equity should be read in conjunction with the notes and additional information.



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

JUNE 30TH 2022

BASIS OF ACCOUNTING

I. Basis of accounting

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 these interim condensed separate financial statements to obtain full information on the assets and financial position of the SECO/WARWICK Group as at June 30th 2022 and the financial result for the period from January 1st to June 30th 2022 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 2021, authorised for issue on April 21st 2022.

II. Going concern assumption and comparability of accounts

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern.

As at June 30th 2022, the Company's Management Board carried out an analysis of the Company's ability to continue as a going concern, taking into account the COVID-19 pandemic as well as other factors, including the current order book, projected cash flow estimates, the amount of working capital, debt and available credit facilities. Based on the analysis, the Company's Management Board did not identify any material uncertainty as to the Company's ability to continue as a going concern. In the opinion of the Company's Management Board, the decline in sales in Ukraine and Russia following the Russian invasion of the former country has been offset by sales in other geographies.

However, the Management Board is aware that both the pandemic and the war in Ukraine are highly unpredictable and uncertain, which may affect the Company's financial performance in future periods.

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

By the date of these interim condensed separate financial statements for the six months ended June 30th 2022, no events occurred which have not but should have been disclosed in the accounting records for the reporting period. No material events related to prior years have been disclosed in these financial statements.

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 Polish złoty ("PLN"), and unless specified otherwise, all amounts are given in thousands of PLN.

These interim condensed financial statements of the Company cover the three and six months ended June 30th 2022.

Comparative data is presented:

- as at December 31st 2021 – in the case of the separate statement of financial position,

- for the period from January 1st to June 30th 2021 and from April 1st to June 30th 2021 – in the case of the interim separate statement of comprehensive income,
- for the period from January 1st to June 30th 2021 – in the case of the interim separate statement of cash flows,
- for the period from January 1st to June 30th 2021 – in the case of the interim separate statement of changes in equity.

Other new or amended standards and interpretations which have been applied for the first time in 2022 do not have a material effect on the Company's interim condensed separate financial statements.

V. Material judgements and assumptions

In these interim condensed separate 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 AND ADJUSTMENTS

These interim condensed separate 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.

These separate financial statements have been prepared in accordance with IFRSs as endorsed by the EU, issued and effective for reporting periods beginning on or after January 1st 2022.

1. New standards, interpretations and amendments to existing standards effective in 2022

Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements to IFRSs 2018–2020 Cycle.

The package of amendments contains three amendments to the standards:

- Amendments to IFRS 3 Business Combinations, which update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
- Amendments to IAS 16 Property, Plant and Equipment, which rule out the possibility of deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Such revenue and related costs should be recognised in profit or loss for the period.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets explain what costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

The package also contains Annual Improvements to IFRSs 2018-2020 Cycle, which include explanations and clarifications regarding the provisions of IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture, and illustrative examples for IFRS 16 Leases.

The amendments had no impact on the Company's separate financial statements.

2. Standards and interpretations not applied in these financial statements

Standards and interpretations

Type of expected change in accounting policies

<p>IFRS 17 <i>Insurance Contracts</i> (issued on May 18th 2017); including Amendments to IFRS 17 (issued on June 25th 2020)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; prospective application, with early application permitted)</p>	<p>IFRS 17 supersedes the temporary IFRS 4, introduced in 2004. IFRS 4 allowed entities to continue the recognition of insurance contracts in accordance with the local accounting policies based on national accounting standards, which resulted in the application of many different solutions.</p> <p>IFRS 17 solves the issue of a lack of comparability resulting from the application of IFRS 4 by requiring consistent recognition of all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost.</p>
<p>Amendments to IAS 1 <i>Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies</i> (issued on February 12th 2021)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)</p>	<p>Amendments to IAS 1 clarify the scope of disclosures of significant accounting policies in the entity's financial statements. In accordance with the amendments, in financial statements entities should disclose their material accounting policies rather than their significant accounting policies.</p>
<p>Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates</i> (issued on February 12th 2021)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)</p>	<p>The amendments introduce the definition of accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty and clarify the relationship between accounting policies and accounting estimates, indicating that an entity develops accounting estimates to meet the objectives set out in the accounting policies.</p>
<p>Amendments to IAS 1 <i>Presentation of Financial Statements: Classification of liabilities as current or non-current and classification of liabilities as current or non-current – deferral of effective date</i> (issued on January 23rd 2020 and July 15th 2020, respectively)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)</p>	<p>The amendments clarify that the presentation of liabilities as current or non-current should only be based on the existence at the end of the reporting period of the entity's right to defer settlement for at least twelve months after the reporting period and on complying with conditions for such deferral as at the reporting date. Such classification is not affected by the management's intentions or expectations about whether and when the entity will exercise its right. The amendments also provide clarifications as to events which are deemed settlement of a liability.</p>
<p>Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (issued on May 7th 2021)</p> <p>(Effective for annual periods beginning on or after January 1st 2023; early application is permitted)</p>	<p>The amendments narrow the scope of application of the deferred tax exemption and indicate that such exemption may not be applied to transactions where an entity recognises both an asset and a liability that give rise to equal taxable and deductible temporary differences. Consequently, an entity should recognise both a deferred tax asset and a deferred tax liability for temporary differences arising from initial recognition of lease contracts and decommissioning obligations.</p>

Standards and interpretations**Type of expected change in accounting policies**

Amendments to IFRS 17 *Insurance Contracts*: First application of IFRS 17 and IFRS 9 – comparative data (issued on December 9th 2021)

(Effective for annual periods beginning on or after January 1st 2023)

The amendment introduces a new option to apply IFRS 17 for the first time to reduce the operational complexity and the accounting mismatch in the comparative data between insurance contract liabilities and related financial assets at the time of initial application of IFRS 17. The amendment enables comparative data on financial assets to be presented in a manner that is more consistent with IFRS 9 *Financial Instruments*.

The Company did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective.

The Company's Management Board does not expect the application of the new standards and interpretations to have any material effect on the financial statements.

Note 1. REVENUE

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.

Revenue from sales and total income of the Company:

Item	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Revenue from sale of finished goods and services	144,411	133,540	72,297	72,181
- including revenue recognised over time	137,127	120,573	69,569	61,881
Revenue from sale of merchandise and materials	14	4	13	1
TOTAL revenue	144,425	133,544	72,310	72,183
Other income	1,408	1,114	979	614
Finance income	4,879	72	4,582	781
TOTAL revenue and income	150,712	134,730	77,870	73,577

Revenue by geographical markets:

Item	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
European Union	81,318	38,898	42,386	19,364
Russia	7,806	32,707	3,368	14,595
USA	24,422	20,966	12,421	12,196
Asia	29,999	34,564	13,704	23,903
Other	880	6,408	431	2,125
TOTAL revenue	144,425	133,544	72,310	72,183

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

Revenue by product type	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
Vacuum Furnaces	80,938	55,448
Melting Furnaces	22,601	45,676
Aluminium Process	30,846	24,306
Aftersales services	9,512	7,437
Other	529	677
TOTAL revenue	144,425	133,544

Note 2. OPERATING SEGMENTS

For information on the operating segments, see Note 2 to the interim condensed consolidated financial statements.

Note 3. OPERATING EXPENSES

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Depreciation and amortisation	3,900	3,731	2,030	1,897
Raw materials and consumables used	60,620	55,882	29,591	30,360
Services	21,121	25,105	11,022	14,888
Taxes and charges	477	460	232	223
Salaries and wages	33,604	28,180	17,013	14,187
Social security and other benefits	8,563	7,351	4,246	3,724
Other expenses	4,463	2,494	2,631	1,357
Total operating expenses, including:	132,748	123,203	66,764	66,637
Distribution costs	-8,283	-7,914	-4,729	-4,233
Administrative expenses	-11,738	-12,104	-5,765	-6,471
Change in products	9,461	9,359	2,885	5,532
Cost of work performed by entity and capitalised	-5,922	-3,681	-1,594	-1,744
Cost of products sold and services rendered	116,265	108,864	57,561	59,719

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Reversal of inventory write-downs	138	-	138	-
Gain on disposal of property, plant and equipment	112	-	53	-
Penalties and compensation received	3	1	3	19
Income from lease of property, plant and equipment and investment property	439	439	227	241
Services provided to subsidiaries	405	207	325	105
Accounting for lease in connection with decision not to exercise the right to purchase the leased asset	87	281	83	155
Other	223	186	150	94
Total other income	1,408	1,114	979	614

OTHER EXPENSES	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Loss on disposal of property, plant and equipment	-	198	-	198
Inventory write-downs	465	598	265	398
Donations	13	-	-	-
Court expenses, compensation/damages, penalties	36	-	-	-
Cost related to income from lease of property, plant and equipment	347	289	166	151
Other	306	84	298	75
Total other expenses	1,167	1,168	728	822

Impairment of receivables and contract assets	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Impairment of receivables	-	-336	-	-336
Impairment of receivables and contract assets	-	-336	-	-336

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Interest income	37	72	17	35
Dividends received	3,270	-	3,270	-
Net loss on derivative instruments	-	-	-	746
Net foreign exchange gains	1,482	-	1,204	-
Other	90	-	90	-
Total finance income	4,879	72	4,582	781

FINANCE COSTS	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2022	Apr 1–Jun 30 2021
Interest on bank borrowings	1,609	352	1,032	164
Interest on leases	224	178	134	91
Net loss on derivative instruments	3,552	481	1,852	-
Net foreign exchange losses	-	66	-	909
Other	200	14	193	7
Total finance costs	5,585	1,091	3,211	1,171

Note 6. INCOME TAX

In the six months ended June 30th 2022, the effective tax rate was 14%, while in the corresponding period ended June 30th 2021 it stood at 19%. The difference is mainly attributable to the application of capital losses which did not meet the conditions for recognising deferred tax assets in the prior financial year.

Note 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Jun 30 2022	Dec 31 2021
Land	32	32
Buildings and structures	28,162	27,478
Machinery and equipment	10,311	10,961
Vehicles	150	125
Other	1,603	1,642
Total	40,258	40,238
Property, plant and equipment under construction	492	1,349
Total property, plant and equipment	40,750	41,587

Note 8. RIGHT-OF-USE ASSETS

Right-of-use assets	Jun 30 2022	Dec 31 2021
Land	2,510	2,529
Buildings and structures	783	323
Machinery and equipment	4,228	3,661
Vehicles	4,382	3,425
Right-of-use assets	11,904	9,937

Note 9. INTANGIBLE ASSETS

Intangible assets	Jun 30 2022	Dec 31 2021
Patents and licences, software	4,673	4,923
Development expenditure	40,574	40,253
Other intangible assets	825	956
Total intangible assets	46,072	46,133

Note 10. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

As at Jun 30 2022	Gross amount of equity interests	Impairment losses on shares	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights
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%
Total	103,088	44,666	58,422		

As at Dec 31 2021	Gross amount of equity interests	Impairment losses on shares	Carrying amount of equity interests	Ownership interest (%)	% of total voting rights
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%
Total	103,088	44,666	58,422		

Note 11. IMPAIRMENT LOSSES AND WRITE-DOWNS

Impairment losses and write-downs as at	Jun 30 2022	Dec 31 2021
Contract assets	224	224
Trade receivables	7,980	7,980
Equity interests in subsidiaries	44,672	44,672
Inventories	7,560	7,232
Loans	1,376	1,360

IMPAIRMENT LOSSES ON TRADE RECEIVABLES	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
Opening balance	7,980	9,888
Increase, including:	-	-
- impairment losses recognised	-	-
Decrease, including:	-	336
- impairment losses reversed	-	336
Closing balance	7,980	9,552

IMPAIRMENT LOSSES ON EQUITY INTERESTS	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
Opening balance	44,672	44,672
Increase, including:	-	-
- impairment losses recognised	-	-
Decrease, including:	-	-
- impairment losses reversed	-	-
Closing balance	44,672	44,672

WRITE-DOWNS ON INVENTORIES	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
Opening balance	7,232	5,852
Increase, including:	327	598
- impairment losses recognised	327	598
Decrease, including:	-	-
- impairment losses reversed	-	-
Closing balance	7,560	6,450

IMPAIRMENT LOSSES ON LOANS	Jan 1–Jun 30 2022	Jan 1–Jun 30 2021
Opening balance	1,360	1,331
Increase, including:	16	14
- impairment losses recognised	16	14
Decrease, including:	-	-
- impairment losses reversed	-	-
Closing balance	1,376	1,345

Note 12. OTHER FINANCIAL ASSETS AND LIABILITIES

	Jun 30 2022		Dec 31 2021	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	62	7,156	35	3,872
Total hedging instruments				
- long-term	62	499	-	90
- short-term	-	6,657	35	3,782

	Jun 30 2022	Dec 31 2021	Change in valuation recognised in other comprehensive income
Gross fair value of instrument recognised in equity (PLN '000)	-3,598	-2,297	1,301
Deferred income tax	-684	-436	247
Net fair value of instrument recognised in equity (PLN '000)	-2,914	-1,861	1,054

Disclosures of derivative financial instruments which qualify for hedge accounting

In the six months ended June 30th 2022, SECO/WARWICK S.A. used currency forwards to hedge on average 48% of its export cash flows denominated in EUR and 49% of its cash flows denominated in USD. The purpose was to hedge the budgeted exchange rates for contracts. Any changes in the amounts 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 IFRS 9 paragraph 6.4.1 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 Company assumed that the transactions affect profit or loss in proportion to the percentage of completion of a given contract. The Company 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 2022.

Jun 30 2022	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Jun 30 2022	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	68,371	28,729	20,979	-2,208	-1,289	-919	Jul 29 2022 – Jan 31 2024
Jun 30 2022	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Jun 30 2022	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	17,861	9,836	9,736	-4,861	-2,187	-2,674	Jul 29 2022 – Dec 29 2023
Jun 30 2022	Notional amount of contract (GBP '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Jun 30 2022	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	210	210	210	-25	-20	-5	Aug 31 2022 – Aug 31 2023
TOTAL				-7,094	-3,496	-3,598	

The table below presents total values of hedging relationships open as at December 31st 2021.

Dec 31 2021	Notional amount of contract (EUR '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	65,408	29,901	21,115	-1,677	-974	-703	Jan 31 2022 – Apr 13 2023
Dec 31 2021	Notional amount of contract (USD '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	12,463	8,119	7,859	-2,128	-563	-1,565	Jan 31 2021 – Dec 30 2022
Dec 31 2021	Notional amount of contract (GBP '000)	Initial notional amount of hedging instrument	Outstanding notional amount of hedging instrument as at Dec 31 2021	Fair value of instrument (PLN '000)	Amount recognised in profit or loss (PLN '000)	Amount recognised in equity (PLN '000)	Date of final settlement of hedging instrument
TOTAL	210	210	210	-31	-2	-29	Jun 30 2022 – Jun 30 2023
TOTAL				-3,836	-1,539	-2,297	

Note 13. TRADE RECEIVABLES AND OTHER SHORT-TERM RECEIVABLES

Item	Jun 30 2022	Dec 31 2021
a) from related entities	32,307	22,973
- trade receivables, with maturities of up to 12 months	20,930	14,340
- dividends receivable	2,961	-
- prepayments and security deposits paid	8,416	8,633
b) from other entities	40,145	44,369
- trade receivables, with maturities of up to 12 months	29,445	34,345
- taxes, customs duties, social security and other charges receivable	7,400	7,081
- income tax assets	900	-
- other, including:	2,400	2,943
<i>advance payments to suppliers</i>	1,641	2,034
<i>receivables from sale of S/W Brasil shares</i>	-	328
Total net trade and other receivables	72,452	67,342
Impairment losses on receivables	7,980	7,980
Total gross trade and other receivables	80,432	75,322

The Company assesses its receivables for impairment on an individual and group basis. Receivables are considered individually if there is objective evidence of impairment that may adversely affect future cash flows. Material objective indications include, for example, the initiation of court proceedings against the debtor, serious financial distress of the debtor, or materially past due payments. With respect to short-term trade receivables which are assessed on a group basis and have no significant financing component, the Company applies the simplified approach required under IFRS 9 and measures impairment losses in the amount of credit losses expected over the entire lifetime of a receivable since its initial recognition. The Company applies the provision matrix to calculate impairment losses on trade receivables classified in past due periods.

Note 14. TRADE AND OTHER LIABILITIES

Trade and other liabilities	Jun 30 2022	Dec 31 2021
a) for deliveries and services, payable in up to 12 months	41,027	47,059
b) taxes, duties, social security and other benefits (excluding income tax) payable	5,034	4,670
c) capital commitments	100	300
e) other	181	214
TOTAL	46,342	52,243

Note 15. SHORT-TERM EMPLOYEE BENEFIT OBLIGATIONS

Short-term employee benefit obligations	Jan 1–Jun 30 2022	Jan 1–Dec 31 2021
- accrued holiday entitlements	2,827	1,891
- accrued bonuses	3,754	5,190
- accrued retirement bonuses	42	42
- current salaries and wages	4,036	3,643
	10,660	10,767

Note 16. BORROWINGS

Borrowings	Jun 30 2022	Dec 31 2021
Overdrafts	59,097	28,617
Investment credit facility	14,733	17,035
Credit card limits	173	150
Total	74,003	45,801

Borrowings	
As at Jan 1 2022	45,801
Increase, including:	30,504
- funds borrowed under overdraft facilities	30,504
- funds borrowed under investment credit facility	-
- funds borrowed within credit card limit	24
Decrease, including:	2,302
- repayment of overdrafts	-
- repayment of investment credit facility	2,302
- repayment of credit card limits	-
As at Jun 30 2022	74,003

Note 17. DIVIDENDS PROPOSED OR APPROVED BY THE DATE OF AUTHORISATION OF THESE FINANCIAL STATEMENTS

On April 21st 2022, the Supervisory Board approved SECO/WARWICK S.A. Management Board's proposal, contained in the Management Board Resolution No.1/2022 of April 21st 2022, on allocation of SECO/WARWICK S.A.'s net profit for 2021.

On April 21st 2022, in Current Report No. 2/2022, the Company announced the Management Board's dividend proposal. The Management Board proposed that the Company's net profit of PLN 8,324,846.47 (eight million, three hundred and twenty-four thousand, eight hundred and forty-six złoty, 47/100) be allocated as follows:

- PLN 2,548,909.50 (two million, five hundred and forty-eight thousand, nine hundred and nine złoty, 50/100) – for payment of dividend to shareholders,
- PLN 5,775,936.97 (five million, seven hundred and seventy-five thousand, nine hundred and thirty-six złoty, 97/100) – to the Company's statutory reserve funds.

Furthermore, the Management Board recommended that the dividend record date (Day R) should be June 15th 2022 and that the dividend payment (Day P) should be June 29th 2022.

On May 25th 2022, the Annual General Meeting resolved to distribute the Company's net profit for 2021 in accordance with the Management Board's proposal. The dividend was paid on June 29th 2022.

Note 18. RELATED-PARTY TRANSACTIONS

Related entity	period	Receivables from related entities	Liabilities to related entities
SECO/WARWICK Corporation			
	<i>Jun 30 2022</i>	2,599	60
	<i>Dec 31 2021</i>	2,309	324
Retech Systems LLC			
	<i>Jun 30 2022</i>	94	9,359
	<i>Dec 31 2021</i>	990	13,542
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.			
	<i>Jun 30 2022</i>	1,060	6,737
	<i>Dec 31 2021</i>	1,232	6,209
SECO VACUUM TECHNOLOGIES LLC			
	<i>Jun 30 2022</i>	9,247	477
	<i>Dec 31 2021</i>	711	32
SECO/WARWICK Germany GmbH			
	<i>Jun 30 2022</i>	3,619	28
	<i>Dec 31 2021</i>	3,323	-
SECO/WARWICK Services Sp. z o.o.			
	<i>Jun 30 2022</i>	952	12
	<i>Dec 31 2021</i>	1,078	157
SECO/WARWICK Rus			
	<i>Jun 30 2022</i>	3,117	89
	<i>Dec 31 2021</i>	4,584	32
SECO/WARWICK Systems and Services India PVT. Ltd.			
	<i>Jun 30 2022</i>	242	450
	<i>Dec 31 2021</i>	113	543

Related entity	period	Sales to related entities	Purchases from related entities
SECO/WARWICK Corporation			
	<i>Jan 1–Jun 30 2022</i>	402	97
	<i>Apr 1–Jun 30 2022</i>	325	60
	<i>Jan 1–Jun 30 2021</i>	25	158
	<i>Apr 1–Jun 30 2021</i>	1	111
Retech Systems LLC			
	<i>Jan 1–Jun 30 2022</i>	6,537	863
	<i>Apr 1–Jun 30 2022</i>	91	382
	<i>Jan 1–Jun 30 2021</i>	742	6,080
	<i>Apr 1–Jun 30 2021</i>	73	5,255
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co. Ltd.			

	<i>Jan 1–Jun 30 2022</i>	484	1,223
	<i>Apr 1–Jun 30 2022</i>	272	880
	<i>Jan 1–Jun 30 2021</i>	525	787
	<i>Apr 1–Jun 30 2021</i>	330	494
SECO VACUUM TECHNOLOGIES LLC			
	<i>Jan 1–Jun 30 2022</i>	17,530	428
	<i>Apr 1–Jun 30 2022</i>	7,587	335
	<i>Jan 1–Jun 30 2021</i>	170	100
	<i>Apr 1–Jun 30 2021</i>	25	17
SECO/WARWICK Germany GmbH			
	<i>Jan 1–Jun 30 2022</i>	235	363
	<i>Apr 1–Jun 30 2022</i>	155	28
	<i>Jan 1–Jun 30 2021</i>	73	342
	<i>Apr 1–Jun 30 2021</i>	39	207
SECO/WARWICK Services Sp. z o.o.			
	<i>Jan 1–Jun 30 2022</i>	2,079	209
	<i>Apr 1–Jun 30 2022</i>	987	71
	<i>Jan 1–Jun 30 2021</i>	2,369	209
	<i>Apr 1–Jun 30 2021</i>	1,094	187
SECO/WARWICK Rus			
	<i>Jan 1–Jun 30 2022</i>	3,903	87
	<i>Apr 1–Jun 30 2022</i>	1	-
	<i>Jan 1–Jun 30 2021</i>	1,886	574
	<i>Apr 1–Jun 30 2021</i>	12	-
SECO/WARWICK Systems and Services India PVT. Ltd.			
	<i>Jan 1–Jun 30 2022</i>	125	443
	<i>Apr 1–Jun 30 2022</i>	22	381
	<i>Jan 1–Jun 30 2021</i>	102	135
	<i>Apr 1–Jun 30 2021</i>	39	85

Note 19. 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 2021. 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.

	Jun 30 2022		
	Level 1	Level 2	Level 3
	PLN'000	PLN'000	PLN'000
Financial assets			
Investments in related entities	-	-	-
Financial assets available for sale (non-current)	-	-	-
Loans advanced (short-term)	-	-	-
Loans advanced (long-term)	-	-	-

Trade and other receivables	-	-	-
Derivative financial instruments	-	62	-
- <i>Currency forwards (long-term)</i>	-	62	-
- <i>Currency forwards (short-term)</i>	-	-	-
Cash and cash equivalents	-	-	-
Sureties issued	-	-	-
Total	-	62	-
Financial liabilities			
current			
Interest-bearing borrowings, including:	-	-	-
- <i>Overdraft facility</i>	-	-	-
- <i>Short-term borrowings</i>	-	-	-
- <i>Finance lease liabilities (short-term)</i>	-	-	-
Trade and other payables	-	-	-
Currency forwards	-	6,657	-
long-term			
Long-term borrowings bearing interest at variable rates	-	-	-
Currency forwards	-	499	-
Other liabilities (non-current), including:	-	-	-
- <i>Finance lease liabilities</i>	-	-	-
Total	-	7,156	-

Note 20. 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 21. EVENTS NON-TYPICAL DUE TO THEIR NATURE, SCALE OR FREQUENCY

In the six months ended June 30th 2022, based on current observations, the following main areas of possible impact of the COVID-19 pandemic and the war in Ukraine on the Company's financial condition were identified:

COVID-19 PANDEMIC

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

The potential effect 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 that are beyond the Company's control. The factors include 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 operations.

The Company has a subsidiary based in Moscow (SECO/WARWICK Rus), operating as an intermediary in the sale of the Company's products in Russia. The Company holds 100% of shares in the share capital of the 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 Company 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 Company 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 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 Company 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 Company 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 Company's Management Board is monitoring the situation and, if justified, the assets will be remeasured in the 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 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 Company'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 contract performance delays, contract terminations, or insolvencies of the Company'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 Company's operations, if required.

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

Note 22. ISSUE, REDEMPTION AND REPAYMENT OF DEBT AND EQUITY SECURITIES

No such events occurred.

Note 23. OFF-BALANCE-SHEET ITEMS

Contingent liabilities

As at June 30th 2022, contingent liabilities under performance bonds (bank guarantees) and sureties provided amounted to PLN 43,804 thousand (year-end 2021: PLN 44,317 thousand).

Note 24. SETTLEMENTS RELATED TO COURT CASES

In the six months ended June 30th 2022, no liabilities or receivables of SECO/WARWICK S.A. were disputed in any significant court, arbitration or administrative proceedings with any counterparty or its group.

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 2021. As at the date of authorisation for issue of these financial statements, the Company reassessed the situation and did not identify any need for changes.

Note 25. MATERIAL EVENTS WHICH OCCURRED AFTER THE END OF THE REPORTING PERIOD AND ARE NOT DISCLOSED IN THESE FINANCIAL STATEMENTS

No such events occurred.

Note 26. MANAGEMENT STOCK OPTIONS

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.

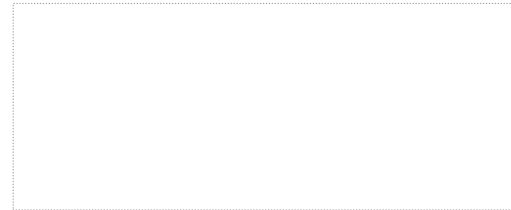
Date: September 9th 2022

President of the Management Board



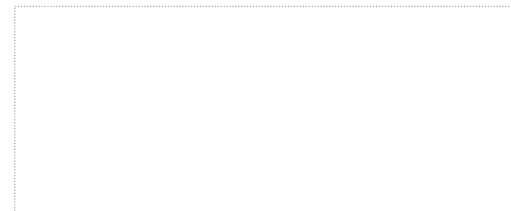
Sławomir Woźniak

Member of the Management Board



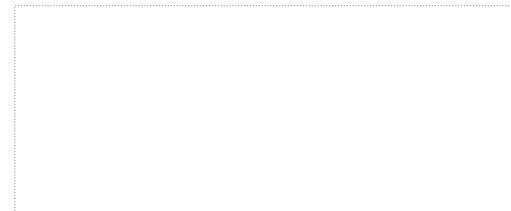
Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek