SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD **JANUARY 1ST – DECEMBER 31ST 2022**

CONTENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN '000)

	Note	Year ended Dec 31 2022	Year ended Dec 31 2021
Revenue	*1*	**265,649**	**275,226**
Cost of sales	*3*	**-220,210**	**-222,658**
Gross profit		**45,438**	**52,568**
Other income	*4*	3,956	2,013
Distribution costs	*3*	-16,212	-14,964
Administrative expenses	*3*	-27,037	-23,198
Impairment of receivables and contract assets	*4*	-172	49
Other expenses	*4*	-3,047	-2,675
Operating profit		**2,925**	**13,793**
Finance income	*5*	16,982	927
Finance costs	*5*	-10,167	-4,586
Profit before tax		**9,740**	**10,133**
Income tax	*6*	2,568	-1,808
Net profit		**12,308**	**8,325**

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

	Year ended Dec 31 2022	Year ended Dec 31 2021
Net profit	**12,308**	**8,325**
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	**2,530**	**-415**
Valuation of cash flow hedge derivatives	2,530	-415
Other comprehensive income before tax	2,530	-415
Income tax on other comprehensive income		
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	-481	79
Total other comprehensive income, net	**2,049**	**-337**
Total comprehensive income	**14,356**	**7,988**

EARNINGS PER SHARE:	*7*		
- basic earnings (loss) per share		1.45	0.94
- diluted earnings (loss) per share		1.40	0.94

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2022	Dec 31 2021
ASSETS			
Property, plant and equipment	*9*	41,950	41,587
Right-of-use assets	*9*	11,379	9,937
Investment property		262	286
Investments in related entities	*11*	70,820	58,422
Intangible assets	*10*	47,012	46,133
Long-term receivables	*15*	1,641	1,279
Other financial assets	*16*	100	3
Contract costs	*14*	92	65
Non-current assets		**173,257**	**157,711**
Inventories	*13*	47,731	30,045
Trade receivables and other short-term receivables	*15*	57,210	67,342
Income tax assets	*15*	1,565	-
Other financial assets	*16*	1,214	2,035
Other non-financial assets	*17*	2,101	1,545
Contract costs	*14*	1,001	1,809
Contract assets	*14*	90,667	65,945
Cash and cash equivalents	*18*	13,206	17,878
Current assets other than held for sale		**214,696**	**186,599**
Assets classified as held for sale		-	-
Current assets		**214,696**	**186,599**
TOTAL ASSETS		**387,953**	**344,310**

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

SEPARATE STATEMENT OF FINANCIAL POSITION

(PLN '000)

	Note	Dec 31 2022	Dec 31 2021
EQUITY AND LIABILITIES			
Share capital	*19*	3,616	3,616
Share premium reserve	*19*	78,666	78,666
Treasury shares	*19*	-28,532	-28,532
Other capital reserves	*19*	50,556	46,981
Retained earnings	*19*	88,322	78,563
Equity		**192,627**	**179,294**
Borrowings	*20*	7,827	12,431
Lease liabilities	*21*	6,715	5,504
Derivative financial instruments	*16*	-	90
Deferred tax liabilities	*6*	6,937	9,442
Employee benefit obligations	*23*	816	1,061
Contract liabilities	*14*	1,357	1,357
Non-current liabilities		**23,652**	**29,884**
Borrowings	*20*	57,858	33,370
Lease liabilities	*21*	2,077	1,926
Derivative financial instruments	*16*	1,984	3,782
Other financial liabilities	*16*	-	-
Trade and other liabilities	*22*	48,153	52,243
Employee benefit obligations	*23*	15,478	10,767
Other provisions	*24*	5,607	6,636
Contract liabilities	*14*	40,516	26,408
Liabilities directly related to non-current assets classified as held for sale		-	-
Current liabilities		**171,673**	**135,132**
Total liabilities		**195,325**	**165,016**
TOTAL EQUITY AND LIABILITIES		**387,953**	**344,310**

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

SEPARATE STATEMENT OF CASH FLOWS

(PLN '000)

	Note	Year ended Dec 31 2022	Year ended Dec 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**9,740**	**10,133**
Total adjustments:		**-23,710**	**-4,150**
Depreciation and amortisation	3	8,120	7,320
Foreign exchange gains/(losses)		80	-385
Adjustments due to finance income (cost)	*25*	597	551
Gain/(loss) on investing activities	*25*	-13,844	529
Other adjustments	*25*	-186	-331
Changes in items of the statement of financial position:			
Change in provisions	*25*	3,437	3,913
Change in inventories		-17,686	-3,714
Change in receivables		9,769	5,000
Change in current liabilities (other than financial liabilities)	*25*	-4,499	5,847
Change in contract assets and liabilities		-9,834	-24,609
Change in accruals and deferrals		-556	398
Change in currency derivative instruments	*25*	-633	683
Adjustments due to share-based payments		1,525	648
Cash provided by operating activities		**-13,970**	**5,983**
Income tax paid		-1,983	-147
Net cash from operating activities		**-15,953**	**5,836**
CASH FLOWS FROM INVESTING ACTIVITIES	*25*		
Proceeds from disposal of intangible assets and property, plant and equipment		1,493	1,349
Other proceeds from financial assets		2,009	60
Dividends received		3,507	-
Investments in intangible assets and property, plant and equipment		-7,370	-6,340
Net cash from investing activities		**-361**	**-4,931**
CASH FLOWS FROM FINANCING ACTIVITIES	*25*		
Proceeds from borrowings		24,488	15,716
Proceeds from sale or issue of own shares		-	153
Grants received		523	849
Repurchase of shares	*19*	-	-8,750
Dividends and other distributions to owners	*8*	-2,549	-4,944
Repayment of bank borrowings		-4,604	
Payment of lease liabilities		-2,024	-1,766
Payment of interest		-4,113	-611

Net cash from financing activities	**11,721**	**648**
Increase (decrease) in cash and cash equivalents before the effect of exchange rate changes	**-4,593**	**1,553**
Effect of exchange rate changes on cash and cash equivalents	-80	385
Increase (decrease) in cash and cash equivalents	**-4,672**	**1,938**
Cash at beginning of period	**17,878**	**15,940**
Cash at end of period	**13,206**	**17,878**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

(PLN '000)

	Share capital	Share premium reserve	Treasury shares	Other capital reserves	Retained earnings	Total equity
Note	*19*	*19*	*19*	*19*	*8.19*	
Equity as at Jan 1 2022	**3,616**	**78,666**	**-28,533**	**46,981**	**78,563**	**179,294**
Profit for period	-	-	-	-	12,308	12,308
Other comprehensive income	-	-	-	2,049	-	2,049
Total comprehensive income for the year	**0**	**0**	**0**	**2,049**	**12,308**	**14,357**
Payment of dividends	-	-	-	-	-2,549	-2,549
Valuation of management stock option plan	-	-	-	1,525	-	1,525
Changes in equity	**0**	**0**	**0**	**3,574**	**9,759**	**13,333**
Equity as at Dec 31 2022	**3,616**	**78,666**	**-28,533**	**50,556**	**88,322**	**192,627**
Equity as at Jan 1 2021	**3,616**	**78,666**	**-22,338**	**36,071**	**88,182**	**184,198**
Profit for period	-	-	-	-	8,325	8,325
Other comprehensive income	-	-	-	-336	-	-336
Total comprehensive income for the year	**-**	**-**	**-**	**-336**	**8,325**	**7,989**
Sale of treasury shares under the incentive scheme	-	-	-	153	-	153
Payment of dividends	-	-	-	-	-4,944	-4,944
Valuation of management stock option plan	-	-	-	648	-	648
Capital reserve for repurchase of shares				13,000	-13,000	-
Repurchase of shares	-	-	-8,750	-	-	-8,750
Carrying amount of treasury shares sold under the incentive scheme	-	-	2,555	-2,555	-	-
Changes in equity	**0**	**0**	**-6,195**	**10,910**	**-9,619**	**-4,904**
Equity as at Dec 31 2021	**3,616**	**78,666**	**-28,533**	**46,981**	**78,563**	**179,294**

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

SUPPLEMENTARY INFORMATION TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2022

I. GENERAL INFORMATION

1. Company data

SECO/WARWICK Spółka Akcyjna of Świebodzin (the "Company" or the "Parent") is the Parent of the SECO/WARWICK Group (the "Group" or the "SECO/WARWICK Group"). 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

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, and 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

The company has been established for an indefinite period.

3. Presented periods

These separate financial statements of the Company cover the 12 months ended December 31st 2022.

Comparative data is presented:

- as at December 31st 2021 – in the case of the separate statement of financial position,
- for the period January 1st–December 31st 2021 – in the case of the separate statement of comprehensive income,
- for the period January 1st–December 31st 2021 – in the case of the separate statement of cash flows,
- for the period January 1st–December 31st 2021 – in the case of the separate statement of changes in equity.

4. Management Board and Supervisory Board of SECO/WARWICK S.A.

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

- Andrzej Zawistowski – Chair of the Supervisory Board
- Maciej Karnicki – Deputy Chair 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 – Chair of the Supervisory Board
- Henryk Pilarski – Deputy Chair 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.

Changes in the composition of the Supervisory Board:

On May 25th 2022, Mr Maciej Karnicki and Mr Robert Jasiński were appointed as members of the Supervisory Board, respectively by Resolution No. 23 and 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. Significant shareholders

Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at December 31st 2022

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	**32.89%**
Spruce Holding Limited Liability Company (USA)	1,091,952	10.60%	1,091,952	**10.60%**
Nationale-Nederlanden Otwarty Fundusz Emerytalny	600,000	5.83%	600,000	**5.83%**
Metlife OFE	577,470	5.61%	577,470	**5.61%**

* formerly: MetLife OFE.

On February 3rd 2023, the Company received a notification from Generali Powszechne Towarzystwo Emerytalne S.A. (Generali PTE) given under Art. 69 in conjunction with Art. 87.1.2b of the Act on Public Offering, to the effect that the funds managed by Generali PTE exceeded the 5% threshold of total voting rights in the Company following the takeover of management of NNLife Otwarty Fundusz Emerytalny (formerly Metlife OFE) and NNLife Dobrowolny Fundusz Emerytalny.

Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the issue date of this Report

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%**
NNLife Otwarty Fundusz Emerytalny*	640,798	6.22%	640,798	**6.22%**

* formerly: MetLife OFE.

The information presented in the table is based on notifications received by the Company from the shareholders under Art. 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

As at December 31st 2022, SECO/WARWICK S.A. held 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 and affiliates

As at December 31st 2022, SECO/WARWICK S.A. was 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.,

As at December 31st 2022, the Group had one jointly-controlled company:

- 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.

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. Ltd., was formed.

Composition of the Group as at December 31st 2022:

Company	Registered office	Principal business activity	Group's ownership interest
Parent			
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding company of the SECO/WARWICK Group; holding equity interests and providing strategic management services; manufacture of equipment for metal heat treatment	**N.A.**
Direct and indirect subsidiaries			
SECO/WARWICK Corp.	Meadville (USA)	Sale, repair and maintenance services	**100%**
SECO/WARWICK of Delaware, Inc	Wilmington (USA)	Holding company; registration of trademarks and patents, and granting licences for use of the trademarks and patents by SECO/WARWICK Corp.	**100%**

SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products	**100%**
Retech Systems LLC	Buffalo (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys	**100%**
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	manufacture of equipment for metal heat treatment	**93%**
Retech Tianjin Holdings LLC	(USA)	Holding company	**80%**
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia	**50%**
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Sale, repair and maintenance services	**100%**
SECO/WARWICK Services Sp. z o.o.	Świebodzin (Poland)	Repair and maintenance services	**100%**
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company	**100%**
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces.	**100%**
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services	**100%**
SECO/WARWICK Technical Services Tianjin Co. Ltd.	Tianjin (China)	Sale, repair and maintenance services	**93%**

II. AUTHORISATION OF THE FINANCIAL STATEMENTS

The Management Board authorised these financial statements for issue on April 27th 2023.

III. EFFECT OF THE WAR IN UKRAINE ON THE COMPANY'S POSITION

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 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 regularly monitors the scope of the economic sanctions imposed on the Russian Federation and Belarus. The Group's business is in all respects conducted taking into account all direct and indirect economic sanctions. In the financial year 2022, as a result of the economic sanctions, work on completion of one contract in Russia was suspended.

In 2022, the Company and the other Group companies did not advance any loans to SECO/WARWICK Rus or OOO SCT. Furthermore, as at December 31st 2022:

- the net assets of SECO/WARWICK Rus amounted to PLN -1.2m,
- The Company had PLN 0.6m in outstanding security deposits placed with customers in the markets east of Poland.

As at the date of authorisation of this Report, SECO/WARWICK S.A. did not recognise any impairment losses on any of these assets as it does not expect that the payments will not be made.

The Management Board of SECO/WARWICK S.A. is monitoring the situation and, if justified, the assets will be remeasured in the reporting periods in 2023 or later.

The Company identifies the following areas of a potential impact of the war in Ukraine on the Company's and the Group's operations and financial condition:

- 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 did not identify any 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 in order to take steps aimed at securing the Company's interests, if needed.

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

IV. BASIS OF ACCOUNTING

1. Basis of accounting

These financial statements have been prepared in accordance with the International Financial Reporting Standards, 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 separate financial statements should be read in conjunction with the consolidated financial statements authorised for issue by the Management Board and published on the same day as these separate financial statements.

2. Going concern assumption and comparability of accounts

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future comprising a period no shorter than 12 months from the end of the most recent reporting period, i.e., December 31st 2022.

As at December 31st 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 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 Management Board did not identify any material uncertainty as to the Company's ability to continue as a going concern for at least 12 months from the reporting date. The Company's Management Board also believes that Russia's invasion of and war on Ukraine have no direct impact on the Company's operations, including on the going concern assumption. However, the Management Board is aware that the war in Ukraine is highly unpredictable and uncertain, which may affect the Company's financial performance in future periods.

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

By the date of these financial statements for 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.

V. APPLIED ACCOUNTING POLICIES, INCLUDING METHODS OF MEASUREMENT OF ASSETS, EQUITY AND LIABILITIES, REVENUE AND EXPENSES

These financial statements have been prepared based on the 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 Company takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

These financial statements are presented in the złoty ("PLN"), and unless stated 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 2022 do not have a material effect on the Company's financial statements.

Summary of significant accounting policies

<u>Presentation of the statement of financial position</u>

In accordance with IAS 1 *Presentation of Financial Statements*, assets and liabilities are presented in the statement of financial position as current and non-current.

<u>Presentation of the statement of comprehensive income</u>

In accordance with IAS 1 *Presentation of Financial Statements*, in the statement of comprehensive income expenses are presented by function.

Earnings per share

Basic earnings per share for each period are determined by dividing net profit attributable to owners of the parent for the period by the weighted average number of shares. Diluted earnings per share reflect the effect of the Company's incentive scheme whereby treasury shares held by SECO/WARWICK S.A. are to be delivered to the scheme beneficiaries.

Intangible assets

Under intangible assets the Company recognises non-cash assets which are identifiable (separable or saleable), are controlled by the Group and are probable to bring future economic benefits to the Group.

Intangible assets comprise mainly software and development costs and are initially measured at cost including purchase price, import duties, non-refundable purchase taxes, after deducting trade discounts and rebates, plus any directly attributable cost of preparing the asset for its intended use.

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into:

- a research phase,
- a development phase.

All expenditure incurred in the research phase is charged directly to expenses of the period.

Intangible assets created as a result of development work are capitalised by the Company only if the following criteria are met:

- It is certain that the intangible asset will be completed,
- It is possible to demonstrate that the asset can be used or sold,
- The expenditure incurred can be measured reliably.

For a detailed method of recognition of development costs, see Recognition of development costs in Section VI.

The Company determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised over their useful lives and tested for impairment whenever there is an indication of impairment.

The amortisation period and amortisation method for intangible assets with definite useful lives are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates.

Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

The table below summarises the Company's accounting policies with respect to intangible assets:

Item	Capitalised development costs	Patents and licences	Software
Useful life	5–20 years	5–20 years	5–15 years
Amortisation method	Amortised using straight-line method after completion of work	Amortised over contract term using straight-line method	Amortised using straight-line method
Origin	Internally generated	Acquired	Acquired

Item	Capitalised development costs	Patents and licences	Software
Impairment testing/measuring recoverable amount	Annual assessment of whether there are indications of impairment and annual impairment testing of expenditures on ongoing development work	Annual assessment of whether there are indications of impairment	Annual assessment of whether there are indications of impairment

Grants received are not recognised as a separate item of equity and liabilities in the statement of financial position but as a reduction of the carrying amount of the asset financed with the grant. At the same time, the Company accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Property, plant and equipment

Property, plant and equipment are carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation charges are calculated using the straight-line method based on the useful lives of the assets, which are usually as follows:

Buildings and structures	from 10 to 40 years
Machinery and equipment	from 5 to 30 years
Vehicles	from 5 to 10 years
Other property, plant and equipment	from 5 to 15 years

Any gains and losses arising on sale or retirement of property, plant and equipment are determined as the difference between net proceeds from the disposal, if any, and the carrying amount of the property, plant and equipment, and are recognised in the statement of comprehensive income.

Grants received are not recognised as a separate item of equity and liabilities in the statement of financial position but as a reduction of the carrying amount of the asset financed with the grant. At the same time, the Company accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Property, plant and equipment under construction

Property, plant and equipment under construction include expenditure on items of property, plant and equipment that are not yet ready for use and are highly probable to be completed. Property, plant and equipment under construction are presented in the statement of financial position at cost less impairment losses, if any. Property, plant and equipment under construction are not depreciated.

Investment property

The Company classifies as investment property all property which is considered a source of income (earns rentals) and/or is held for capital appreciation.

Investment property is carried at cost less cumulative depreciation and impairment losses, if any.

Depreciation is charged over the estimated useful life of investment property using the straight-line method. Land is not depreciated.

Shares in related entities

Shares in subsidiaries, associates and joint ventures are recognised at historical cost, net of impairment losses.

Financial assets and liabilities

Classification of financial assets

Financial assets are classified into the following categories:

- Financial assets at amortised cost,
- Financial assets at fair value through profit or loss,
- Financial assets at fair value through other comprehensive income.

The Company classifies a financial asset based on its business model for managing the asset and the asset's contractual cash flow characteristics (the SPPI test). The Company reclassifies investments in debt instruments when, and only when, their management model changes.

Measurement on initial recognition

With the exception of certain trade receivables, on initial recognition financial assets are recognised at fair value, which – in the case of financial assets other than those at fair value through profit or loss – is increased by transaction costs directly attributable to their acquisition.

Derecognition

Financial assets are derecognised when:

- The contractual rights to the cash flows from the financial asset expire, or
- the contractual rights to the cash flows from the financial asset are transferred in a transaction whereby the Company transferred substantially all risks and rewards related to that asset.

Measurement subsequent to initial recognition

For the purpose of measurement subsequent to initial recognition, financial assets are classified into one of the following four categories:

- Debt instruments at amortised cost,
- Debt instruments at fair value through other comprehensive income,
- Equity instruments at fair value through other comprehensive income,
- Financial assets at fair value through profit or loss.

Debt instruments – financial assets at amortised cost

A financial asset is carried at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In the category of financial assets at amortised cost, the Company classifies:

- Trade receivables,
- Loans that meet the SPPI classification test and, in line with the business model, are recognised as held to collect cash flows,
- Cash and cash equivalents.

Recognition and measurement of financial liabilities

<u>Liabilities under bank borrowings and other financial liabilities</u>

Liabilities under bank borrowings and other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Transaction costs directly attributable to the acquisition or issue of a financial liability are added to the carrying amount of the liability because the liability is initially recognised at the fair value of the consideration paid or received to settle the liability. Subsequently, these costs are amortised over the life of the liability using the effective interest method.

Trade payables

Short-term trade payables are recognised at amounts due.

Hedge accounting

In accordance with IFRS 9 Financial Instruments, there are three types of hedging relationships:

a) Fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability, or a component of an asset, liability or a firm commitment, that is attributable to a particular risk and could affect the statement of comprehensive income,

b) Cash flow hedge: a hedge of the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability and (ii) could affect the statement of comprehensive income,

c) Hedge of a net investment in a foreign operation as defined in IAS 21.

The valuation of derivative instruments representing cash flow hedges as at the reporting date is recognised in equity. If a transaction hedged with a currency forward affects the statement of comprehensive income, any valuation previously recognised in equity is reclassified to the statement of comprehensive income.

As derivative instrument transactions are executed to hedge cash flows under sale contracts for which revenue is recognised with the percentage of completion method, measurement of the derivative instruments affects profit or loss pro rata to the percentage of completion of a given contract, and is disclosed in finance income or finance costs in the amount equal to the effective portion of the hedge.

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

a) At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

b) The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship.

c) For cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect the statement of comprehensive income.

d) The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.

e) The hedge is assessed on an ongoing basis and determined to have been highly effective throughout the reporting periods for which the hedge was designated.

Inventories

Inventories are measured at the lower of cost and net realisable value. Any downward adjustment of the value of inventories to the net selling price is made by writing it down to net realisable value.

Furthermore, slow-moving inventory, obsolete inventory or inventory whose usability has been impaired in any way are revalued as at the end of each financial year. If the circumstances which caused the decrease in the value of inventories cease to exist, the write-down is reversed.

The effects of measurement at net selling price are charged to other expenses. An inventory decrease is accounted for with the FIFO method, i.e. at cost, starting from the item of materials that was accepted in the warehouse the earliest.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be offset. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that does not affect profit/loss before tax or taxable income/tax loss. In addition, no deferred tax is recognised if the temporary differences arise on initial recognition of goodwill.

A deferred tax liability is recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company is able to control the timing of the reversal of temporary differences related to its investments in subsidiaries and associates and, to the best of the Management Board's knowledge, as at the reporting date there were no such temporary differences and no such differences will be realised in the foreseeable future.

Deferred tax assets resulting from deductible temporary differences related to such investments and interests are recognised only to the extent that it is probable that there will be sufficient taxable profits against which the tax benefits resulting from the temporary differences can be utilised, and it is expected that the temporary differences will reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be realised. An unrecognised deferred tax asset is reassessed at each reporting date and is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or whose future effect is certain as at the reporting date.

The Company offsets deferred tax assets against deferred tax liabilities only if it has a legally enforceable right to set off current income tax assets against current income tax liabilities, and the deferred tax assets and liabilities relate to income taxes levied on the same taxable entity and by the same taxation authority.

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes, with the effect being lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents which could be followed. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretations of tax regulations, both between various public authorities and between public authorities and businesses.

Tax settlements and other areas of activity (e.g., customs or foreign exchange control) may be subject to inspections by authorities that are entitled to impose high fines and penalties, and any additional tax liabilities resulting from such inspections must be paid with high interest. Consequently, tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On July 15th 2016, amendments were made to the Tax Law reflecting the provisions of the General Anti-Abuse Rule (GAAR). GAAR is intended to prevent the creation and use of abusive arrangements to avoid paying taxes in Poland. GAAR defines tax evasion as measures taken primarily for the purpose of achieving a tax benefit which in the given circumstances is contrary to the object and purpose of tax laws. In accordance with GAAR, no tax advantage can be obtained through an arrangement which is abusive. Any arrangements involving (i) separation of transactions or operations without a sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements that operate in a similar way, may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgement to be exercised when assessing the tax consequences of particular transactions.

The GAAR clause should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but the benefit of the tax advantage obtained through the arrangement continued or still continues after that date. After the new regulations are implemented, Polish tax inspection authorities will be able to challenge certain legal agreements and arrangements made by taxpayers, such as corporate restructurings.

The Company discloses and measures current and deferred tax assets or liabilities in compliance with the requirements of IAS 12 *Income Taxes*, based on the taxable income (tax loss), tax base, tax loss carryforwards, unused tax reliefs and the tax rates, taking into consideration uncertainties related to tax settlements.

Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Company discloses such settlement taking into account assessment of the uncertainty.

The Company has unsettled capital losses, but there is no material uncertainty as to their settlement in subsequent years.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the Company expects that the costs covered by the provision will be reimbursed, e.g. under an insurance agreement, then such reimbursement is recognized as a separate asset, but only when it is practically certain that such reimbursement will actually take place.

Costs related to a given provision are disclosed in the statement of comprehensive income net of all reimbursements. If the effect of the time value of money is material, the amount of provision is determined by discounting the projected future cash flows to their present value using a gross discount rate reflecting current market estimates of the time value of money. Where discounting was used, any increase in the provision due to the passage of time is recognized as finance costs.

Estimates of the financial result and impact are based on the judgement of the management of the companies, supported by their past experience with similar transactions and, in some cases, by reports of independent experts.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

The Company recognises the following provisions:

- Provision for warranty repairs – on the basis of the estimated future cost of warranty repairs, by reference to the stage of contract completion;
- Provisions for disputes.

Assumptions underlying the estimates and the provision amounts are reviewed as at each reporting date.

Employee benefits

Employee benefit obligations include obligations in respect of current salaries and wages, estimated employee bonuses, and accrued holiday entitlements – in an amount equivalent to the number of days of accrued unused holidays multiplied by average gross daily pay.

The Company also incurs costs related to the operation of Employee Capital Plans (PPKs) by making contributions to the investment fund. They are post-employment benefits in the form of a defined contribution plan. Costs of PPK contributions are recognised in the same cost item as the cost of salaries and wages on which they are paid. Liabilities under PPKs are presented under other liabilities.

Share-based payments

The Company's employees (including management board members) receive awards in the form of shares.

Share-based payment transactions are measured by reference to the fair value of the equity instruments as at the grant date, and the fair value is measured by an independent expert using a binomial model. When measuring equity-settled transactions, market vesting conditions (related to the Company's share price) and non-vesting conditions are taken into account.

The cost of equity-settled share-based payment transactions is recognised with a corresponding increase in equity in the period in which the performance conditions and/or service conditions are satisfied and which ends on the date when the rights are fully vested in eligible employees (the 'vesting date'). The accumulated cost recognised under equity-settled transactions as at each reporting date until the vesting date reflects the passage of the vesting period and the number of awards which, in the opinion of the Company's Management Board as at that date, based on best estimate of the number of equity instruments, will finally vest.

No costs are recognised in respect of awards which do not finally vest, except for the awards where the rights are vested depending on market vesting conditions or non-vesting conditions. Such rights are treated as acquired regardless of whether such market vesting conditions or non-vesting conditions are satisfied, provided that all other performance conditions or service conditions are met.

If the terms on which equity-settled awards were granted are modified, the Company recognises, at a minimum, the cost of the original award as if they were not modified. Furthermore, costs of any increase in the value of a share-based payment transaction as a result of such modifications, measured as at the modification date, are recognised.

When an equity-settled award is cancelled, it receives the same treatment as if it vested on the date of cancellation and any unrecognised award-related costs are recognised immediately. It also applies to awards where the non-vesting conditions which the Company or the employee controls are not met. However, if the cancelled award is replaced with a new one, both the new award, which is identified as a replacement award on the grant date, as well as the cancelled award are accounted for as if they were a modification of the original award (as described in the above paragraph).

Treasury shares

The Company acquires its own shares on the market on the date of their allotment and holds them as treasury shares until it acquires the rights to such shares. Treasury shares are measured at fair value as at the date of recognition and subsequently recognised at cost as an item reducing equity.

Contract assets

Contract assets include any excess of estimated revenue related to the stage of completion of a long-term contract, measured by the progress towards satisfaction of a performance obligation as described below, over advance payments received and the aggregate amount invoiced under the contract.

Contract liabilities

Contract liabilities reflect the Company's obligations to transfer services or equipment to a customer for which the Company has already received consideration in the form of an advance payment or for which consideration is due based an invoice issued. Contract liabilities are also increased by collaboration costs where such costs are material and thus recognised according to the stage of completion.

Contract costs

Contract costs include incremental costs of obtaining a contract with a customer, that is costs that the entity would not have incurred if the contract had not been obtained. In the course of its operations, the Company identifies contract costs that meet the following criteria:

- the costs directly relate to a contract or anticipated contract which the entity is able to specifically identify;

- the costs generate or enhance the Company's resources that will be used to satisfy (or continue to satisfy) performance obligations in the future.

Incremental costs of obtaining a contract include sales commissions. Contract costs are recognised under contract assets and amortised on a systematic basis, taking into account the stage of completion of the contract to which they relate, if they relate to a contract from which revenue is recognised over time, or on a one-off basis at the time of revenue recognition in the case of a contract from which revenue is recognised at a point in time.

Grants for development projects

Grants for development projects include in particular government grants to finance assets.

The value of grants received to finance development work is deducted from the carrying amount of the asset. The Company accounts for the grants in the statement of comprehensive income by reducing the amortisation charges on the assets.

Grants are not credited directly to equity.

Revenue

Revenue is recognised at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer.

The Company's main revenue sources are sales of:

- vacuum Furnaces,
- aluminium furnaces,
- melting furnaces,
- after-sales services, including equipment maintenance.

The Company applies IFRS 15 *Revenue from Contracts with Customers* to all contracts with customers except leases within the scope of IFRS 16 *Leases*, financial instruments and other contractual rights or obligations within the scope of IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures*.

The fundamental principle of IFRS 15 is to recognise revenue when goods and services are transferred to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

IFRS 15 requires that all sale contracts be recognised applying the following five steps:

- identifying the contract(s) with a customer,
- identifying the performance obligations in the contract,
- determining the transaction price,
- allocating the transaction price to each performance obligation,
- recognising revenue when a performance obligation is satisfied.

Identification of the contract(s) with a customer

The Company accounts for a contract with a customer only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- The Company can identify each party's rights regarding the goods or services to be transferred,
- The Company can identify the payment terms for the goods or services to be transferred,
- the contract has commercial substance (i.e., the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), and

- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Identifying performance obligations

At contract inception, the Company assesses the goods or services promised in the contract with the customer and identifies as a performance obligation each promise to transfer to the customer either a good or service (or bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Services promised to a customer are distinct if both of the following criteria are met:

- the customer can benefit from the services either on its own or together with other resources that are readily available to the customer, and
- the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

Transaction price

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. When determining the transaction price, the Company considers the existence of variable consideration (discounts, bonuses and contractual penalties), but in principle no such components are present in the contracts.

Allocating the transaction price to performance obligations

The Company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Satisfying performance obligations

The Company recognises revenue when (or as) the Company satisfies a performance obligation by transferring a promised good or service to the customer. The Company recognises promised goods and assembly services as a single performance obligation as they are inseparable performances.

Transferring control over time

If one of the following criteria specified in IFRS 15.35 is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or
- The entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time.
The Company recognises only documented revenue, i.e., revenue which is guaranteed under the original contract, adjusted to account for any subsequent contract modifications (annexes). Changes in contract revenue are recognised when it is certain (a contract or annex has been signed) or at least when it is probable (a contract or annex has been initialled) that the customer will accept the changes and the amounts of revenue resulting from those changes, and when the amount of such revenue can be measured reliably.
The Company also recognises material costs of collaboration (subcontracting) over time. The costs are recognised based on the stage of completion of work if they exceed PLN 50 thousand. Information on the stage of completion of work is provided to the Company by the subcontractor.

Transferring control at a point in time

If a performance obligation is not satisfied over time, it is satisfied at a point in time and revenue is recognised at that time. To determine the point in time at which a performance obligation is satisfied and revenue is recognised, the requirements for transferring control of a promised asset to the customer are considered. The following circumstances may indicate that control is transferred:

- the entity has a present right to payment for the asset.
- the customer has legal title to the asset,
- the asset has been physically transferred to the customer,
- the customer has the significant risks and rewards of ownership of the asset,
- the customer has accepted the asset.

The Company also recognises revenue at a point in time taking into account the materiality of the contract. Below PLN 200 thousand or EUR 50 thousand or GBP 40 thousand or USD 60 thousand, revenue is recognised at a time point.

Methods for measuring progress towards satisfaction of a performance obligation

The method applied to measure progress towards satisfaction of a performance obligation is the input method. Under this method, progress towards satisfaction of a performance obligation is measured by reference to costs actually incurred in comparison with total estimated contract costs. Costs actually incurred include costs incurred by the Company and costs of collaboration (subcontractors).

Advances payments

Any excess of advance payments (prepayments) received under a contract over the estimated revenue attributable to a given reporting period is recognised as contract liabilities. Up to the amount of the estimated contract revenue, advance payments reduce the receivables under settlement of long-term contracts.

Recognition of revenue as at the reporting date

Any excess of invoiced revenue over recognised revenue in the reporting period is recognised under contract liabilities.

Revenue as at the end of the reporting period is determined based on the percentage of contract completion, net of any revenue which affected the financial result in previous reporting periods. For contracts denominated in a currency other than the functional currency, the revenue at the end of the reporting period is calculated first of all based on the exchange rate used for partial invoicing, pro rata to the percentage of contract completion. In order to determine the exchange rate applicable to advance payments, the transaction date is the date of initial recognition of the advance payment as an asset or liability. If there are multiple advance payments or receipts, the transaction date is determined for each such payment or receipt. Estimated contract revenue attributable to a given reporting period is recognised as revenue from sale of finished goods and services for the period, and as contract assets in the statement of financial position.

Consideration under contracts concluded by the Company is fixed and includes no variable components. The contracts contain a single performance obligation as the nature of the delivery requires the Group to provide a comprehensive service, that is delivery and installation. Given the complexity of equipment installation, the contract covers not only the purchase of the equipment, but also the supplier's supervision over its installation and the training needed for the equipment to be properly started and operated.

Leases

Right-of-use assets

The Company recognises right-of-use assets at the lease commencement date (i.e. the date when the underlying asset is made available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, the initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, right-of-use assets are depreciated using the straight-line method over the shorter of the estimated life of the asset or the lease term. A right-of-use asset is tested for impairment if there is any indication of impairment.

Lease liabilities

At the lease commencement date, the Company measures lease liabilities at the present value of lease payments then outstanding. Lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives due, variable payments that depend on an index or rate, and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payment of financial penalties for terminating the lease if the lease terms grant a termination option to the Company. Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition triggering the payment occurs.

When calculating the present value of lease payments, the Company uses the lessee's incremental borrowing rate on the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the interest, and reduced by lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if the lease term, in-substance fixed lease payments or judgement as to purchase of the underlying assets change.

Short-term leases and leases of low-value assets

The Company applies the short-term exemption to its short-term lease contracts (i.e. contracts with a lease term of 12 months or less from the commencement date, containing no purchase options). The Company also applies the low value lease exemption. In the case of lease of vehicles and machinery, low value is PLN 5 thousand, and in the case of buildings – USD 5 thousand. Lease payments under short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Company as a lessor

Leases where the Company retains substantially all the risks and rewards incidental to the ownership of the asset are classified as operating leases. Initial direct costs incurred in the course of negotiating operating lease contracts are added to the carrying amount of the leased asset and recognised over the term of the lease on the same basis as lease income. Contingent lease payments are recognised as revenue in the period in which they become due.

Functional currency and presentation currency

Functional currency and presentation currency

Items of the financial statements are measured in the currency of the primary economic environment in which the Company operates ("functional currency"). The financial statements are presented in the Polish zloty (PLN), which is the Company's functional and presentation currency.

Transactions and balances

On initial recognition, transactions in foreign currencies are translated into the functional currency at the mid exchange rate quoted by the National Bank of Poland for the date preceding the transaction date. As at the end of the reporting period, monetary items denominated in foreign currencies are translated at the mid exchange rate quoted by the National Bank of Poland for a given currency for the measurement date.

Non-monetary items denominated in foreign currencies and measured at fair value are translated at the exchange rate from the date on which the fair value was determined, i.e., the mid exchange rate quoted by the National Bank of Poland for a given currency for that date.

Any foreign exchange gains or losses arising on settlement of transactions in foreign currencies and on measurement of monetary assets or liabilities denominated in foreign currencies are recognised in profit or loss for the period.

VI. MATERIAL JUDGEMENTS AND ASSUMPTIONS

When preparing the financial statements of the Company, the Management Board has to make certain judgements, assumptions and estimates which affect the presented revenue, costs, assets, liabilities, as well as related notes and disclosures concerning contingent liabilities. Uncertainties related to these assumptions and estimates may result in material changes to carrying amounts of assets and liabilities in the future.

Depreciation/amortisation charges

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Company reviews the useful lives of its assets annually, on the basis of current estimates.

Amortisation charges for right-of-use assets

If a lease contract includes a purchase option the payment for which has been included in minimum lease payments, the amortisation period is the useful life equal to the economic useful life of the underlying asset. Where the value of a purchase option is not included in minimum lease payments, the amortisation period is the term of the lease contract.

Significant judgements and estimates concerning the lease term and discount rate

The Company holds lease contracts for property, vehicles, machinery and perpetual usufruct of land. The lease terms are as follows:

Property	from 2 to 4 years
Vehicles	from 4 to 5 years
Machinery	from 4 to 5 years
Perpetual usufruct of land	from 68 to 82 years

Some of the lease contracts contain options to extend or terminate the lease.

The Company also has lease contracts for equipment or vehicles with lease terms of 12 months or less, and lease contracts for low-value assets. The Company uses the exemption for short-term leases and leases of low-value assets.

The Company's lease liabilities are secured with the lessor's ownership title to the leased assets. As a general rule, the Company is not entitled to sub-lease the leased assets or to assign its rights under lease contracts. Some contracts include covenants for specific financial indicators.

The Company does not have lease interest rates under lease contracts and applies incremental borrowing rates. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The table below presents the discount rate ranges applied to measure lease liabilities, taking into account the currency of lease payments:

Payment currency	Discount rate
PLN	7-12%

Significant judgements and estimates in determining the lease term of contracts with extension options

The Company determines the lease term as a non-cancellable lease term, including periods covered by an option to extend the lease, if it is reasonably certain that the option will be exercised, as well as periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised. The Company is able to extend the lease term of certain lease contracts. The Company applies judgment to assess whether there is reasonable certainty that the extension option will be exercised, which means that it takes into account all material facts and circumstances that represent an economic incentive to extend the option or an economic penalty for its non-extension. After the commencement date, the Company reviews the lease term if a significant event or change in circumstances under its control occurs which affects its ability to exercise (or not to exercise) the extension option (e.g. a change in the business strategy).

Recognition of development costs

The Company recognises development costs if, and only if, it can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

In view of the above, the Company assesses whether an intangible asset generated by the entity meets the recognition criteria. In addition, two phases are distinguished in the asset generation process:

a) the research phase,

b) the development phase.

If the Company is unable to separate the research phase from the development phase of a project leading to the generation of an intangible asset, it treats expenditure on the project as if it were incurred only during the research phase.

Impairment of development costs

The Company conducts annual impairment tests for expenditure on ongoing development work in the case of intangible assets with indefinite useful lives and intangible assets that are not in use. The tests are conducted at an appropriate level reflecting the allocation of the Company's assets to cash-generating units. Intangible assets in the form of expenditure on development work are tested at the level of a group of cash-generating units together with corporate assets.

Impairment losses on shares in subsidiaries

The Company has carried out impairment tests with respect to its shares in subsidiaries for which indications of impairment have been identified. This required an estimation of the value in use of the individual subsidiaries tested for impairment. Estimating the value in use requires making an estimate of the expected future cash flows from the subsidiary and determining a suitable discount rate in order to calculate the present value of those cash flows. The underlying assumptions are presented in the Note.

Impairment of other non-current assets

Other assets, with the exception of intangible assets with indefinite useful lives and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of a given asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of impairment analysis, assets are grouped together into the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Any previously identified impairment of non-financial assets (other than goodwill) is assessed as at each reporting date for indications that a previously recognised impairment loss could be reversed.

Deferred tax assets

Deferred tax assets are recognised in respect of all temporary differences to the extent it is probable that taxable profit will be available which will enable these differences to be utilised.

Pension benefit obligations

Disability severance payments and retirement bonuses at the Company are paid in accordance with the provisions of Art. 92 of the Polish Labour Code. Actuarial valuation of long- and short-term benefits is performed at the end of each financial year.

Provision for warranty repairs

The Company provides guarantees for sold products, assuring the customer that the product conforms to the specifications agreed upon by the parties. Since the guarantees are not a separate service under IFRS 15, the Company recognises such guarantees in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provision for warranty repairs is estimated on the basis of the historical costs of manufacturing of the equipment sold and of the warranty repairs made in the previous years.

Long-term contracts

In the case of contracts accounted for over time, revenue is recognised by measuring progress towards complete satisfaction of a performance obligation, and in other cases revenue is recognised when control of the product is transferred to the customer.

The progress towards satisfaction of a performance obligation is measured by reference to incurred costs in comparison with the planned total contract costs estimated based on the Company's best knowledge (input method).

At the end of each reporting period, the Company estimates the profit or loss on each contract. When a loss on a contract is expected, it is immediately recognised in the statement of profit or loss as a provision for future costs of contract performance. Unavoidable costs of a contract include, *inter alia*, the net costs of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The amount of such loss is determined irrespective of whether or not work has commenced on the contract, the stage of contract completion, or the amount of profits expected to arise on other contracts.
Revenue recognised over time is revenue guaranteed under the original contract, adjusted to account for any subsequent contract modifications (annexes). Changes in contract revenue are recognised if both parties to the contract accept the changes and the amounts of revenue resulting from those changes, and when the value of that revenue can be measured reliably.

Derivative financial instruments

Derivative instruments are initially recognised at fair value when the Company becomes a party to the contract, and subsequently they are remeasured at fair value as at the end of each reporting period. Changes in fair value are recognised directly in profit or loss, unless the instrument is used as a hedging instrument. In such a case, the moment of recognition depends on the nature of the hedging relationship.

VII. CHANGES IN ACCOUNTING POLICIES AND ADJUSTMENTS

Save for changes resulting from the introduction of new standards or amendments to existing standards effective for reporting periods beginning on or after January 1st 2022, in the preparation of these financial statements the Company applied the same accounting policies as described in the financial statements prepared as at and for the year ended December 31st 2021.

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

1.1 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 financial statements.

VIII. STANDARDS AND INTERPRETATIONS NOT APPLIED IN THESE FINANCIAL STATEMENTS

Standards and interpretations	Type of expected change in accounting policies
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Making Materiality Judgements* (Effective for annual periods beginning on or after January 1st 2023; early application is permitted)	The amendments to IAS 1 require an entity to disclose its material accounting policies information instead of its significant 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.

Standards and interpretations	Type of expected change in accounting policies
Amendments to IAS 12 *Income Taxes*: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Effective for annual periods beginning on or after January 1st 2023; early application is permitted)	The amendments narrow the scope of application of the exemption from initial recognition of deferred tax to exclude transactions that give rise to equal and offsetting temporary differences, e.g., leases and decommissioning obligations. In the case of leases and decommissioning obligations, the related deferred tax assets and liabilities should be recognised from the beginning of the earliest comparative period presented, and any cumulative effects are recognised as an adjustment to retained earnings or other components of equity as at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.
Amendments to IFRS 10 and IAS 28 *Sales or Contributions of Assets between an Investor and its Associate or Joint Venture* (Effective date postponed for an indefinite period. Available for optional adoption in full IFRS financial statements. The European Commission has decided to postpone the approval for an indefinite period; it is unlikely that the approval will be given by the EU in the foreseeable future)	The amendments clarify that in the case of a transaction involving an associate or joint venture, the scope of recognition of gain or loss depends on whether the assets sold or contributed constitute a business in such a way that: - full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets that constitute a business (whether the business is housed in a subsidiary or not), while partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if those assets are housed in a subsidiary.
Amendments to IAS 1 *Presentation of Financial Statements: Current or non-current liabilities with covenants* (Effective for annual periods beginning on or after January 1st 2024, should be applied retrospectively. Early application is permitted. Specific transition requirements apply for entities that have early adopted the 2020 amendments.)	Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments introduced in 2020 waived the requirement that the right be unconditional and instead require that the right to defer payment must exist as at the reporting date and must have substance (the classification of liabilities is not affected by management's intentions or expectations as to whether the entity will exercise its right to defer payment or decide to settle early). The amendments introduced in 2022 further specify that where the right to defer payment of a liability is conditional on the entity's compliance with covenants, on presentation of a liability as current or non-current. Contracts which an entity must comply with after the reporting date do not affect the classification of the liability at that date. However, the amendments require entities to disclose those future contracts in order to help users understand the risk that those liabilities may become due and payable within 12 months of the reporting date. The amendments also clarify how an entity classifies a liability that can be settled in its own shares – e.g. convertible debt.

Standards and interpretations	Type of expected change in accounting policies
Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback* (Effective for annual periods beginning on or after January 1st 2024, early application is permitted)	Amendments to IFRS 16 *Leases* impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction; - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments change the accounting for leases other than those resulting from a sale and leaseback transaction.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2022

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. For more information on the revenue accounting policy, see '*Revenue*' in Section V.

Revenue from sales and total income of the Company:

Item	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Revenue from sale of finished goods and services	265,634	275,218
- including revenue recognised over time	*252,220*	*255,874*
Revenue from sale of merchandise and materials	15	8
TOTAL revenue	**265,649**	**275,226**
Other income	3,956	2,013
Finance income	16,982	927
TOTAL revenue and income	**286,587**	**278,166**

Revenue by geographical markets:

Item	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
European Union	152,931	102,397
Russia	1,496	60,488
USA	41,910	40,090
Asia	63,158	62,527
Other	6,155	9,724
TOTAL revenue	**265,649**	**275,226**

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

Revenue by product type	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Vacuum Furnaces	154,914	118,236
Melting Furnaces	37,929	86,256
Atmosphere Furnaces (Thermal)	243	1,578
Aluminium Process	52,786	54,456
Aftersales services	19,444	14,623
Other	333	77
TOTAL revenue	**265,649**	**275,226**

Note 2. OPERATING SEGMENTS

Information on particular operating segments is presented in the consolidated financial statements of the SECO/WARWICK Group (Note 2 to the consolidated financial statements for the 12 months ended December 31st 2022).

Note 3. OPERATING EXPENSES

COST OF PRODUCTS SOLD AND SERVICES RENDERED

OPERATING EXPENSES, BY NATURE OF EXPENSE	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Depreciation and amortisation	8,120	7,320
Raw materials and consumables used	117,166	130,569
Services	44,174	69,830
Taxes and charges	951	891
Salaries and wages	70,352	56,181
Social security and other benefits	14,173	11,686
Other expenses	10,557	6,895
Total operating expenses, including:	**265,494**	**283,372**
Distribution costs	-16,212	-14,964
Administrative expenses	-27,037	-23,198
Change in products	9,165	-15,295
Cost of work performed by entity and capitalised	-11,199	-7,257
Cost of products sold and services rendered	**220,210**	**222,658**

DEPRECIATION/AMORTISATION CHARGES RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Items recognised as cost of sales	**6,057**	**5,356**
Depreciation of property, plant and equipment	2,175	2,132
Depreciation of right-of-use assets	1,110	1,081
Amortisation of intangible assets	2,772	2143
Items recognised as distribution costs	**935**	**1,001**
Depreciation of property, plant and equipment	419	501
Depreciation of right-of-use assets	194	188
Amortisation of intangible assets	323	312
Items recognised as administrative expenses	**1,128**	**939**
Depreciation of property, plant and equipment	287	172
Depreciation of right-of-use assets	743	667
Amortisation of intangible assets	98	99
Items recognised as other expenses	**24**	**24**
Depreciation of investment property	24	24

EMPLOYEE BENEFITS EXPENSE

PERSONNEL COSTS	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Salaries and wages	70,352	56,181
Social security	14,173	11,686
Total employee benefits expense, including:	**84,525**	**67,867**
Items recognised as cost of sales	55,833	46,512
Items recognised as distribution costs	6,832	5,773
Items recognised as administrative expenses	21,859	15,582

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

DISTRIBUTION COSTS	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Depreciation and amortisation	935	1,000
Raw materials and consumables used	181	161
Services	2,477	4,480
Taxes and charges	16	10
Salaries and wages	5,789	4,959
Social security and other benefits	1,149	927
Business travel	524	125
Advertising expenses	1,326	857
Other	3,815	2,445
Total	**16,212**	**14,964**

ADMINISTRATIVE EXPENSES	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Depreciation and amortisation	985	886
Raw materials and consumables used	535	343
Services	3,093	3,296
Taxes and charges	70	49
Salaries and wages	15,265	11,844
Social security and other benefits	1,831	2,021
Business travel	264	92
Property insurance	1,123	1,301
Other	3,871	3,365
Total	**27,037**	**23,198**

Note 4. OTHER INCOME AND EXPENSES

OTHER INCOME	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Gain on disposal of property, plant and equipment	1,445	-
Reversal of inventory write-downs	138	-
Penalties and compensation received	355	1
Income from lease of property, plant and equipment and investment property	920	897
Services provided to subsidiaries	538	362
Accounting for lease in connection with decision not to exercise the right to purchase the leased asset	186	331
Other	373	422
Total other income	**3,956**	**2,012**

OTHER EXPENSES	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Inventory write-downs	1,792	1,381
Loss on disposal of property, plant and equipment	-	529
Court expenses, compensation/damages, penalties	46	38
Donations	21	4
Cost related to income from lease of property, plant and equipment	764	552
Other	424	171
Total other expenses	**3,047**	**2,675**

Impairment of receivables and contract assets	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Change in impairment loss	172	-127
- including impairment losses on receivables from SECO/WARWICK RUS	63	-
- including impairment losses on receivables from SECO VACUUM TECHNOLOGIES LLC	-190	-
- including impairment losses on receivables from SECO/WARWICK Corporation	-	-193
- including impairment losses on receivables from SECO/WARWICK Retech	-	28
Change in impairment loss on contract assets	-	78
Impairment of receivables and contract assets	**172**	**-49**

Note 5. FINANCE INCOME AND COSTS

FINANCE INCOME	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Interest income	183	131
Revaluation of investments	12,399	-
Dividends received	3,507	-
Net foreign exchange gains	759	795
Other	134	-
Total finance income	**16,982**	**927**

FINANCE COSTS	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Interest on bank borrowings	4,983	897
Interest on leases	549	333
Net loss on derivative instruments	4,418	3,327
Impairment losses on loans	32	29
Other	185	-
Total finance costs	**10,167**	**4,586**

Note 6. INCOME TAX AND DEFERRED INCOME TAX

The main items of the tax expense for the annual periods ended December 31st 2022 and December 31st 2021 were as follows:

INCOME TAX DISCLOSED IN THE STATEMENT OF COMPREHENSIVE INCOME	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
Current income tax	**418**	**147**
Withholding tax	418	147
Deferred income tax	**-2,986**	**1,661**
Income tax disclosed in profit or loss	**2,568**	**-1,808**
Income tax on other comprehensive income	**481**	**-79**

Deferred income tax disclosed in the statement of comprehensive income equals the difference between the balances of deferred tax liabilities and deferred tax assets as at the end and as at the beginning of the reporting periods, excluding items charged or credited to equity.

Item	2022	2021
Profit before tax (PLN)	**9,740**	**10,133**
Tax rate applicable in Poland	**19%**	**19%**
Income tax calculated at the tax rate applicable in Poland	**1,851**	**1,925**
Income tax calculated at the applicable tax rate	**1,851**	**1,925**
Tax effect of expenses that are not deductible in determining taxable profit	522	315
Non-taxable income	-2,377	-90
Recognition of tax loss asset from prior years	-1,293	-
Development tax credit	-1,297	-732
Other	25	389
Deductible expense	**-2,568**	**1,808**
Effective tax rate	**-26%**	**18%**

The use of tax losses is mainly related to losses brought forward that are offset against profits, with respect to which no deferred tax assets have been recognised.

Item	Dec 31 2022 deferred income tax	Dec 31 2022 other comprehensive income	Dec 31 2022 amount recognised in the statement of comprehensive income	Dec 31 2021 deferred income tax	Dec 31 2021 other comprehensive income	Dec 31 2021 amount recognised in the statement of comprehensive income
Deferred tax liabilities						
Property, plant and equipment and intangible assets	7,808	-	1,217	6,591	-	-1,044
Contract assets	12,178	-	1,349	10,829	-	666
Right-of-use assets	660	-	-332	993	-	993
Foreign exchange gains	-	-	-	60	-	-70
Measurement of forward contracts	249	158	84	7	-17	-42
Other	16	-	-121	136	-	118
Deferred tax liabilities	**20,911**	**158**	**2,198**	**18,616**	**-17**	**622**
Deferred tax assets						
Provision for disability severance payments and retirement bonuses	128	-	-48	176	-	-46
Provision for length-of-service awards and bonuses	1,810	-	610	1,200	-	294
Employee benefits for accrued holiday entitlements	325	-	-34	359	-	56
Provision for losses on contracts	20	-	-60	80	-	-31
Provision for warranty repairs	1,004	-	-135	1,139	-	338
Other provisions	42	-	-	42	-	-
Tax losses to be settled	1,720	-	1,720	-	-	-289
Contract liabilities	573	-	218	355	-	-1,405
Foreign exchange losses	40	-	100	-	-	-
Salaries, wages and social security contributions payable in subsequent periods	388	-	50	337	-	55
Lease liabilities	1,502	-	277	1,225	-	-343
Impairment losses on receivables	2,634	-	1,330	1,304	-	192
Inventory write-downs	1,688	-	346	1,343	-	87
R&D relief	1,672	-	806	866	-	-36
Measurement of forward contracts	377	-323	-36	736	62	88
Other	50	-	40	11	-	0
Deferred tax assets	**13,974**	**-323**	**5,184**	**9,174**	**62**	**-1,039**
Deferred tax liability (net)	**6,937**			**9,442**		

Note 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for a given period attributable to ordinary equity holders in the Parent by the weighted average number of ordinary shares outstanding in the period less treasury shares.

Diluted earnings per share are calculated as the quotient of net profit for the reporting period attributable to ordinary equity holders (after adjustment by costs generated by instruments convertible in the future into dilutive ordinary shares) and the weighted average number of ordinary shares outstanding in the period adjusted for the effect of potential shares resulting from financial instruments issued by the parent which may in the future result in emissions of parent's shares below the market price.

Item	2022	2021
Net profit from continuing operations attributable to shareholders	12,308	8,325
Net profit attributable to owners of the parent	12,308	8,325
Net profit attributable to holders of ordinary shares used to calculate diluted earnings per share	**12,308**	**8,325**
Weighted average number of outstanding ordinary shares used to calculate basic earnings per share	8,496,365	8,845,099
Earnings per share (PLN)	**1.45**	**0.94**
Dilutive effect:		
Number of potential shares to be issued under the incentive scheme*	315,000	-
Number of potential shares to be issued at market price	-29,373	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	8,781,992	8,845,099
Diluted earnings per share (PLN)	**1.40**	**0.94**

*For information on the Incentive Scheme, see Note 31.
The weighted average number of shares is the number of shares less shares held in treasury.

In accordance with IAS 33, the Company's calculation of diluted earnings per share included shares issued conditionally under the Incentive Scheme, as described in Note 31. The calculation omitted those incentive scheme elements that had an antidilutive effect in the presented reporting periods, which in the future may potentially affect the dilution of earnings per share.

Note 8. 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.

Item	Reporting year	Previous year
Dividends recognised as distributions to owners on a per-share basis	PLN 0.3	PLN 0.55
Dividends proposed or approved by the date of authorisation of these financial statements for issue, not recognised as distributed to shareholders	-	-
Dividends proposed or approved by the date of authorisation of these financial statements for issue, not recognised as distributed to shareholders, on a per-share basis	-	-

Note 9. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment (by type) in the period Jan 1 – Dec 31 2022

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross carrying amount as at Jan 1 2022	**32**	**36,343**	**21,819**	**1,085**	**4,140**	**63,418**
Increase, including:	**-**	**1,356**	**330**	**355**	**160**	**2,201**
acquisitions	-	1,356	330	-	160	1,846
other	-	-	-	355	-	355
Decrease, including:	**-**	**-**	**23**	**247**	**97**	**367**
disposal	-	-	15	247	97	359
retirement	-	-	8	-	-	8
Gross carrying amount as at Dec 31 2022	**32**	**37,698**	**22,126**	**1,194**	**4,203**	**65,252**
Cumulative depreciation as at Jan 1 2022	**-**	**8,865**	**10,858**	**960**	**2,498**	**23,181**
Increase, including:	**-**	**1,050**	**1,565**	**284**	**291**	**3,189**
depreciation	-3	1,050	1,565	42	291	2,944
other	3	-	-	242	-	245
Decrease, including:	**-**	**-**	**23**	**209**	**88**	**320**
disposal	-	-	15	209	88	312
retirement	-	-	8	-	-	8
Cumulative depreciation as at Dec 31 2022	**-**	**9,915**	**12,400**	**1,035**	**2,701**	**26,051**
Impairment losses as at Jan 1 2022	-	-	-	-	-	-
Impairment losses as at Dec 31 2022	-	-	-	-	-	-
Net carrying amount as at Dec 31 2022	**32**	**27,784**	**9,725**	**159**	**1,502**	**39,202**

Changes in property, plant and equipment (by type) in the period Jan 1 – Dec 31 2021

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross carrying amount as at Jan 1 2021	**32**	**36,153**	**25,971**	**1,284**	**4,217**	**67,657**
Increase, including:	**-**	**189**	**645**	**18**	**70**	**923**
acquisitions	-	189	645	18	70	923
Decrease, including:	**-**	**-**	**4,798**	**217**	**148**	**5,162**
disposal	-	-	3,956	197	-	4,153
retirement	-	-	842	20	148	1,009
Gross carrying amount as at Dec 31 2021	**32**	**36,343**	**21,819**	**1,085**	**4,140**	**63,418**
Cumulative depreciation as at Jan 1 2021	**-**	**7,803**	**12,334**	**979**	**2,360**	**23,476**
Increase, including:	**-**	**1,061**	**1,482**	**90**	**286**	**2,918**
depreciation	-	1,061	1,482	90	286	2,918
Decrease, including:	**-**	**-**	**2,958**	**109**	**148**	**3,214**
disposal	-	-	2,190	16	-	2,206
retirement	-	-	768	93	148	1,008
Cumulative depreciation as at Dec 31 2021	**-**	**8,865**	**10,858**	**960**	**2,498**	**23,181**
Impairment losses as at Jan 1 2021	-	-	-	-	-	-
Impairment losses as at Dec 31 2021	-	-	-	-	-	-
Net carrying amount as at Dec 31 2021	**32**	**27,478**	**10,961**	**125**	**1,642**	**40,237**

As at December 31st 2022, the Company analysed information from external and internal sources for any indication of the need to test assets for impairment. As no indication of impairment of the Company's property, plant and equipment was found, no impairment testing was performed.

Impairment losses on property, plant and equipment are recognised by the Company under other expenses in the statement of comprehensive income. No impairment losses on property, plant and equipment were made in 2022 or in the previous year.

RIGHT-OF-USE ASSETS

As at December 31st 2022, the Company had lease contracts, mainly for the car fleet. The lease contracts included extension and termination options. The Company has lease contracts with residual value guarantees, but they were included in the measurement of lease liabilities.

Changes in right-of-use assets (by type) – for the period Jan 1 – Dec 31 2022

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Total
Gross carrying amount as at Jan 1 2022	**2,625**	**1,258**	**4,144**	**6,126**	**14,153**
Increase, including:	**-**	**818**	**678**	**1,888**	**3,384**
new lease contracts	-	818	678	1,888	3,384
Decrease, including:	**-**	**537**	**-**	**1,129**	**1,667**
retirement	-	537	-	1,129	1,667
Gross carrying amount as at Dec 31 2022	**2,625**	**2,075**	**4,823**	**6,885**	**15,870**
Cumulative depreciation as at Jan 1 2022	**96**	**935**	**483**	**2,701**	**4,216**
Increase, including:	**40**	**338**	**225**	**1,462**	**2,066**
depreciation	40	338	225	1,462	2,066

Decrease, including:	**3**	**537**	**-**	**1,250**	**1,790**
retirement	-	537	-	1,008	1,545
other	3	-	-	242	245
Cumulative depreciation as at Dec 31 2022	**133**	**1,273**	**709**	**2,913**	**4,491**
Net carrying amount as at Dec 31 2022	**2,492**	**802**	**4,114**	**3,972**	**11,379**

Changes in right-of-use assets (by type) – for the period Jan 1 – Dec 31 2021

Item	Land	Buildings and structures	Plant and equipment	Vehicles	Total
Gross carrying amount as at Jan 1 2021	**2,625**	**1,244**	**4,144**	**6,722**	**14,734**
Increase, including:	**-**	**14**	**-**	**911**	**925**
new lease contracts	-	-	-	911	911
modification of contracts	-	14	-	-	14
Decrease, including:	**-**	**-**	**-**	**1,506**	**1,506**
modification of contracts	-	-	-	1,506	1,506
Gross carrying amount as at Dec 31 2021	**2,625**	**1,258**	**4,144**	**6,126**	**14,153**
Cumulative depreciation as at Jan 1 2021	**59**	**612**	**299**	**2,509**	**3,480**
Increase, including:	**37**	**323**	**184**	**1,393**	**1,936**
depreciation	37	323	184	1,393	1,936
Decrease, including:	**-**	**-**	**-**	**1,201**	**1,201**
modification of contracts	-	-	-	1,201	1,201
Cumulative depreciation as at Dec 31 2021	**96**	**935**	**483**	**2,701**	**4,216**
Net carrying amount as at Dec 31 2021	**2,529**	**323**	**3,661**	**3,425**	**9,937**

COST OF PROPERTY, PLANT AND EQUIPMENT UNDER CONSTRUCTION AND SELF-CONSTRUCTED PROPERTY, PLANT AND EQUIPMENT INCURRED IN THE PERIOD

Property, plant and equipment under construction as at Jan 1 2022	*Expenditure incurred in the financial year*	*Allocation of the expenditure*				*As at Dec 31 2022*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other property, plant and equipment*	
1,349	**3,974**	1,356	1,219	-	-	**2,748**

Property, plant and equipment under construction as at Jan 1 2021	*Expenditure incurred in the financial year*	*Allocation of the expenditure*				*As at Dec 31 2021*
		Buildings, premises and civil engineering structures	*Machinery and equipment*	*Vehicles*	*Other property, plant and equipment*	
404	**1,986**	268	772	-	-	**1,349**

Note 10. INTANGIBLE ASSETS

Changes in intangible assets (by type) in the period Jan 1 – Dec 31 2022

Item	Development costs	Patents and licences, software	Other intangible assets	Total
Gross carrying amount as at Jan 1 2022	**48,689**	**11,220**	**4,955**	**64,865**
Increase, including:	**4,027**	**83**	**-**	**4,110**
acquisitions	4,012	83	-	4,095
other	15	-	-	15
Decrease, including:	**-**	**21**	**-**	**21**
other	-	21	-	21
Gross carrying amount as at Dec 31 2022	**52,716**	**11,282**	**4,955**	**68,954**
Cumulative amortisation as at Jan 1 2022	**8,436**	**6,297**	**3,999**	**18,732**
Increase, including:	**2,383**	**565**	**261**	**3,209**
amortisation	2,383	565	261	3,209
Decrease, including:	**-**	**-**	**-**	**-**
-	-	-	-	-
Cumulative amortisation as at Dec 31 2022	**10,819**	**6,862**	**4,260**	**21,942**
Impairment losses as at Jan 1 2022	-	-	-	**-**
Impairment losses as at Dec 31 2022	-	-	-	**-**
Net carrying amount as at Dec 31 2022	**41,897**	**4,420**	**695**	**47,012**

Changes in intangible assets (by type) in the period Jan 1 – Dec 31 2021

Item	Development costs	Patents and licences, software	Other intangible assets	Total
Gross carrying amount as at Jan 1 2021	**45,035**	**11,004**	**4,955**	**60,994**
Increase, including:	**3,672**	**396**	**-**	**4,068**
acquisitions	3,624	394	-	4,017
other	48	2	-	50
Decrease, including:	**18**	**179**	**-**	**197**
retirement	-	158	-	158
other	18	21	-	39
Gross carrying amount as at Dec 31 2021	**48,689**	**11,220**	**4,955**	**64,865**
Cumulative amortisation as at Jan 1 2021	**6,700**	**5,895**	**3,736**	**16,331**
Increase, including:	**1,736**	**560**	**263**	**2,560**
amortisation	1,736	560	263	2,560
Decrease, including:	**-**	**158**	**-**	**158**
retirement	-	158	-	158
Cumulative amortisation as at Dec 31 2021	**8,436**	**6,297**	**3,999**	**18,732**

Impairment losses as at Jan 1 2021	-	-	-	-
Impairment losses as at Dec 31 2021	-	-	-	-
Net carrying amount as at Dec 31 2021	**40,253**	**4,923**	**956**	**46,133**

No intangible assets are pledged as security for liabilities.

As at December 31st 2022 and December 31st 2021, the Company had no intangible assets held for sale.

In 2022, the research costs recognised in the statement of comprehensive income were PLN 1,967 thousand (2021: PLN 1,087 thousand).

As at December 31st 2022, PLN 32,486 thousand of costs of completed development work and PLN 9,411 thousand of costs of ongoing development work were recognised. The costs include the development of innovative equipment for metal heat treatment and vacuum metallurgy.

Work related to ongoing development projects involves development of new equipment prototypes and new thermal treatment technologies, as well as improvement of the existing products by enhancing their technical parameters.

Costs of completed development work include:
- PLN 23,807 thousand allocated to the vacuum furnace product category;
- PLN 3,185 thousand allocated to the aluminium furnace product category;
- PLN 4,622 thousand allocated to the melting furnace product category;
- PLN 872 thousand in other costs.

Costs of ongoing development work include:
- PLN 7,743 thousand allocated to the vacuum furnace product category;
- PLN 602 thousand allocated to the aluminium furnace product category;
- PLN 389 thousand allocated to the melting furnace product category;
- PLN 677 thousand in other costs.

The Company distinguishes between research work and development work for its projects irrespective of the segment in which the work is carried out, in accordance with internal determinations already at the beginning of work on a new project envisaged in the budget. Any project that does not meet the criteria for recognition as intangible assets is treated as a project carried out as part of research work. The Company's criteria that allow capitalisation of expenditure on development projects are consistent with IAS 38, and all research and development expenditure which does not meet the criteria is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised under assets in the next period.

Expenditure on ongoing development work was tested for impairment. The tests are conducted within identified cash-generating units. Capitalised development costs are tested at the level of a group of cash-generating units together with corporate assets.

The total recoverable amount of the individual cash-generating units was determined by reference to their value in use calculated on the basis of cash flow projections based on five-year financial budgets approved by the senior management, additionally taking into account the residual value after the end of the five-year period considering the expected long-term use of the technologies being developed based on the Company's existing experience.

Kay assumptions for the calculation of value in use

In order to calculate the value in use of individual cash-generating units, the following is taken into account:

- The sales level of a group of units;
- The gross margin based on the average percentage margins generated by the unit;
- The average annual EBITDA growth in the forecast period and a long-term growth rate after the forecast period;

- Discount rates estimated based on the risk level for each unit.

Sensitivity to changes of assumptions

With regard to the value in use estimation, the management believes that no reasonably possible change to any of the key assumptions referred to above will result in the cash generating unit's carrying amount exceeding significantly its recoverable amount.

Note 11. INVESTMENTS IN RELATED ENTITIES

Investments in related entities

As at Dec 31 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	-	50,863	100%	100%
SECO/WARWICK Retech	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	7,703		7,703	100%	100%
Total	**103,088**	**32,267**	**70,820**		

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	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	7,703	-	7,703	100%	100%
Total	**103,088**	**44,666**	**58,421**		

Change in investments in related entities

Item	2022	2021
At beginning of period	**58,421**	**58,421**
Increase during the period	***12,399***	-
- reversal of impairment loss on shares in RETECH Systems LLC	*12,399*	-
At end of period	**70,820**	**58,421**

Note 12. IMPAIRMENT TESTS

As at December 31st 2022, the Company identified indications of reversal of impairment losses regarding RETECH SYSTEMS LLC, therefore impairment tests were carried out on the shares.

The recoverable amount of the shares was determined based on future cash flow projections based on the 2023 budget and forecasts for the next five years. The projections reflect the management's business experience to date and analysis of third-party information. The table below presents the key assumptions concerning the discount rate and the estimated growth rate after the detailed forecast period:

Item	RETECH SYSTEMS LLC (USA)
Average annual revenue growth in the forecast period	11.06%
Long-term growth rate after the forecast period	2.00%
Discount rate	13.82%
Recoverable amount	120,189
Value of the shares	44,664
Excess of recoverable amount over the value of the shares	75,525

The discount rate was determined based on underlying cost of capital after tax.

Sensitivity to changes of assumptions:
A simulation of the recoverable amount was made with changed discount rates for 2022–2026 for each company covered by the impairment test:

Discount rates assumed in the test

+1/-1% change in discount rate	-7,616	8,275
+10/-10% change in average revenue growth rate	23,929	-6,286
+1/-1% change in growth rate after forecast period	5,265	-4,443

As a key assumption, for each cash-generating unit the Management Board adopted forecast revenue growth rates resulting from the financial plan for the forecast period and a long-term revenue growth rate after the forecast period. The sales volume and the selling price of products for each period are the principal revenue drivers. The cost assumptions are based on estimated costs of materials and labour for volumes required to generate revenue. The cumulative annual volume growth rate is based on the Management Board's expectations as to market growth and limited by the maximum production capacity of the plants. The applied long-term growth rates are consistent with forecasts presented in industry reports. Discount rate – the weighted average cost of capital (WACC) was used as a discount rate for the purposes of the impairment tests; WACC was adjusted on a case-by-case basis for premiums and discounts related to risks specific to a given tested asset.

Therefore, the company reversed an impairment loss of PLN 12,394 thousand under finance income.

As at December 31st 2021, the Company did not identify any changes in impairment losses relating to the subsidiaries, therefore no share impairment tests were conducted.

Note 13. INVENTORIES

Item	Dec 31 2022	Dec 31 2021
Materials	40,152	21,917
Semi-finished products and work in progress	7,579	8,128
Total inventories (carrying amount)	**47,731**	**30,045**
Inventory write-downs	8,886	7,232

Gross inventories	56,617	37,278

CHANGE IN WRITE-DOWNS

WRITE-DOWNS	Materials	Semi-finished products and work in progress	Finished goods	Merchandise	Total
Jan 1 2021	**1,415**	**4,437**	**-**	**-**	**5,852**
Increase, including:	**793**	**588**	**-**	**-**	**1,381**
- inventory write-downs recognised	793	588	-	-	1,381
Decrease, including:	**-**	**-**	-	-	**-**
- inventory write-downs reversed	-	-	-	-	-
Dec 31 2021	**2,207**	**5,025**	**-**	**-**	**7,233**
Increase, including:	**1,234**	**558**	**-**	**-**	**1,792**
- inventory write-downs recognised	1,234	558	-	-	1,792
Decrease, including:	**-**	**138**	**-**	**-**	**138**
- inventory write-downs reversed	-	138	-	-	138
Dec 31 2022	**3,441**	**5,445**	**-**	**-**	**8,887**

Based on an analysis of the value of inventories as at December 31st 2022 and December 31st 2021, inventory was revalued by recognising write-downs on inventories which got damaged or became partly or entirely useless, or in the case of which selling prices fell and estimated costs of preparation for sale or costs to sell increased.

Due to the use within the Company of inventories which had been written down, in the period in which the inventories were used the impairment write-down was reversed in correspondence with the other expenses account.

Note 14. CONTRACT ASSETS/LIABILITIES

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

Contract assets

Contract assets are recognised when the Company has satisfied a performance obligation to a customer by delivering goods or services, but payment for these services and goods has not yet been made and no invoice has been issued. Where the right to receive consideration is unconditional, i.e., where the Company has satisfied a performance obligation to a customer and issued an invoice for the goods/services, the right to receive consideration is recognised as trade receivables. In view of the performance of large contracts for individual customers, the Company believes that there is a concentration of credit risk with respect to contract assets and receivables. Therefore, in order to determine impairment losses the Company analyses balances on a case-by-case basis. The Company's maximum exposure to credit risk at the end of the reporting period corresponds to the carrying amount of these assets.

Changes in contract assets in the twelve months ended December 31st 2022 were as follows:

	2022	2021
Opening balance	**65,944**	**48,524**
Increase	250,261	260,667
Invoiced amounts transferred to trade receivables	-225,539	-243,246
Impairment losses on contract assets	-	-78
Closing balance	**90,667**	**65,944**

The amount of expected credit losses was calculated and the impairment loss was not changed. As at December 31st 2022, the impairment loss was PLN 224 thousand.

Contract liabilities

The balance of contract liabilities of approximately PLN 25,330 thousand as at January 1st 2022 was recognised as revenue generated in the 12 months ended December 31st 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 December 31st 2022, the transaction price allocated to unsatisfied performance obligations under contracts with customers was PLN 41,874 thousand. The following table shows the time periods during which the Company expects to satisfy those performance obligations and recognise related revenue.

	Dec 31 2022	Dec 31 2021
Up to 1 year	40,516	26,408
1–2 years	1,357	1,357
Total unsatisfied performance obligations	**41,874**	**27,766**

Contract costs

As at December 31st 2022, the Company also recognised the following costs of obtaining a contract with a customer:

	Dec 31 2022	Dec 31 2021
As at Jan 1	**1,874**	**3,882**
- contract costs capitalised in the period	1,196	992
- amortisation for period	1,976	3,001
- impairment losses	-	-
As at Dec 31, including:	**1,094**	**1,874**
- long-term contract costs	92	65
- short-term contract costs	1,001	1,809

Note 15. TRADE AND OTHER RECEIVABLES

Long-term receivables

Item	Dec 31 2022	Dec 31 2021
Trade receivables	**1,641**	**1,279**
a) from related entities	-	-
b) from other entities	1,641	1,279
Other receivables	**-**	**-**

a) from related entities	-	-
b) from other entities	-	-
Total long-term receivables	**1,641**	**1,279**

Short-term receivables

Item	Dec 31 2022	Dec 31 2021
a) from related entities	**29,178**	**22,973**
- trade receivables, with maturities of up to 12 months	28,036	14,340
- prepayments and security deposits paid	1,141	8,633
b) from other entities	**29,597**	**44,369**
- trade receivables, with maturities of up to 12 months	21,667	34,345
- taxes, customs duties, social security and other benefits receivable	4,484	7,081
- income tax assets	1,565	-
- other, including:	1,881	2,943
advance payments to suppliers	*1,620*	*2,034*
receivables from sale of S/W Brasil shares	-	*328*
Total net trade and other receivables	**58,775**	**67,342**
Impairment losses on receivables	8,126	7,980
Total gross trade and other receivables	**66,901**	**75,322**

As at December 31st 2022, an impairment loss was recognised for trade receivables amounting to PLN 8,126 thousand (2021: PLN 7,980 thousand). For more information on the method of estimating expected credit losses, see Section 30.5.

Changes in impairment losses on receivables were as follows:

CHANGE IN IMPAIRMENT LOSSES ON TRADE AND OTHER RECEIVABLES	Dec 31 2022	Dec 31 2021
Change in impairment losses in related entities		
At beginning of period	**5,965**	**7,910**
a) increase:	**1,168**	**232**
- recognition of impairment loss on trade receivables	1,168	232
b) decrease:	**1,041**	**2,178**
- reversal of impairment loss on trade receivables	1,041	397
- write-off of receivables	-	1,781
Balance of impairment losses on trade receivables from related entities at end of period	**6,092**	**5,965**
Change in impairment losses at other entities		
At beginning of period	**2,016**	**1,978**
a) increase:	**19**	**55**
- recognition of impairment loss on trade receivables	19	55
b) decrease:	**-**	**17**

- reversal of impairment loss on trade receivables	-	17
Balance of impairment losses on trade receivables from other entities at end of period	**2,035**	**2,016**
Balance of impairment losses on trade receivables at end of period	**8,126**	**7,980**

The following tables present the carrying amounts of trade receivables measured at amortised cost and the allowance for expected credit losses on such receivables for each period past due.

Dec 31 2022

	Weighted-average loss rate	**Loss allowance for the period Jan 1 – Dec 31 2022**
Not past due	0%	45
Past due from 1 to 90 days	6%	83
Past due from 91 to 180 days	21%	65
Past due more than 180 days	60%	160
Based on a case-by-case analysis of receivable balances		7,773
Total		**8,126**

Dec 31 2021

	Weighted-average loss rate	**Loss allowance for the period Jan 1 – Dec 31 2021**
Not past due	0%	45
Past due from 1 to 90 days	7%	20
Past due from 91 to 180 days	22%	67
Past due more than 180 days	60%	221
Based on a case-by-case analysis of receivable balances		7,627
Total		**7,980**

Ageing of trade receivables (net):

Item	Dec 31 2022	Dec 31 2021
short-term	34,515	38,986
past due more than 1 month, up to 6 months	7,607	4,666
past due more than 6 months, up to 12 months	2,023	484
past due over 12 months	5,560	4,549
Total trade receivables (net)	**49,704**	**48,686**
impairment losses on trade receivables	8,126	7,980
Total trade receivables (gross)	**57,830**	**56,666**

Trade receivables (gross) by maturity as of the reporting date:

Item	Dec 31 2022	Dec 31 2021
up to 1 month	15,849	10,984
more than 1 month, up to 6 months	16,113	25,864
more than 6 months, up to 1 year	2,624	2,238
more than 1 year	1,641	1,279
past due	15,118	9,599
Total trade receivables (net)	**51,345**	**49,965**
Long-term receivables	1,641	1,279
Short-term receivables	49,704	48,686
Impairment losses on trade receivables	8,126	7,980
Total trade receivables (gross)	**59,470**	**57,944**

In the years ended December 31st 2022 and December 31st 2021, the Company did not claim any trade receivables in court.

Income tax assets

As at December 31st 2022, income tax assets amounted to PLN 1,565 thousand (December 31st 2021: PLN 0 thousand).

Contingent receivables

As at December 31st 2022, the Company did not have any guarantees received. As at December 31st 2021, the Company held guarantees for a total amount of PLN 11,211 thousand.

Note 16. OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets

Item	Dec 31 2022	Dec 31 2021
Derivative financial instruments	1,311	35
Loans advanced*	0	2,000
Shares in other entities	3	3
Total financial assets, including:	**1,314**	**2,038**
- long-term	100	3
- short-term	1,214	2,035

* Loan advanced to SECO/WARWICK Services Sp. z o.o., repaid on February 24th 2022.

Financial liabilities

Item	Dec 31 2022	Dec 31 2021
Other financial liabilities:	**10,776**	**11,301**
- derivative financial instruments	1,984	3,872
- lease liabilities	8,792	7,429
Total financial liabilities, including:	**10,776**	**11,301**
- long-term	6,715	5,594
- short-term	4,061	5,707

Derivative financial instruments

	Dec 31 2022		Dec 31 2021	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	1,311	1,984	35	3871
Total hedging instruments				
- long-term	97	-	-	90
- short-term	1,214	1,984	35	3,781

Disclosures of derivative financial instruments which qualify for hedge accounting

The Company applies cash flow hedge accounting with respect to currency risk arising from future, highly probable cash flows associated with the Company's foreign-currency revenue from sale of merchandise in foreign currencies.

Currency risk hedges

As part of its risk management strategy, involving mainly the management of currency risk associated with foreign-currency revenue from export sale of the Company's products, the Company enters into appropriate FX Forward contracts hedging its projected cash flows. The purpose of the Company's currency risk hedging measures (the Company hedges against the risk of changes in the EUR and USD exchange rates) is to reduce the volatility of foreign-currency revenue from sale of merchandise.

The Company enters into FX Forward hedges with settlement dates matching the dates when it expects to receive the hedged revenue. The Company hedges up to 80% of its revenue for a maximum period of two calendar years. In view of possible differences between the actual timing and amount of cash flows and those estimated, the Company assumes that FX Forwards constituting hedging instruments may be adjusted accordingly, especially by entering into FX Swap contracts with appropriate parameters.

Hedging instruments include:

- FX Forward contracts for sale of a foreign currency (EUR, USD or GBP),
- FX Swap contracts postponing the original payment dates, in the same currencies as original FX Forward contracts.

The Company determines whether there is an economic relationship between a hedged item and the hedging instrument by comparing the key terms of the hedged item and the hedging instrument, in particular the maturity dates, the cash flow currencies and the amounts of the foreign-currency cash flows.

The Company has set a hedge ratio at 1:1 by comparing the nominal amounts of foreign-currency cash flows under the hedging instrument and the hedged item.

In relation to currency risk in cash flow hedging relationships, the main sources of ineffectiveness identified by the Company include:

- non-linearity of Swap points, as a result of which forward exchange rates resulting from a rollover of a derivative instrument may differ from forward exchange rates obtained for the same maturity date without the rollover (using a single FX Forward),
- impact of credit risk on the fair value of FX Forward contracts.

Save for those indicated above, the Company has not identified any other sources of ineffectiveness with respect to the currency risk hedging relationships.

Total figures related to all hedging relationships used:

Amount, timing and uncertainty of future cash flows

The following table presents the notional amounts of hedging instruments and their timing as at December 31st 2022:

	TIME REMAINING TO MATURITY					TOTAL
	UP TO 1 MONTH	FROM 1 TO 3 MONTHS	MORE THAN 3 MONTHS, UP TO 1 YEAR	FROM 1 TO 5 YEARS	OVER 5 YEARS	
CASH FLOW HEDGE CURRENCY RISK						
EUR/PLN FX Forward (including FX Swap)						
Notional amount (EUR '000)	1,550	2,956	6,066	550	-	**11,122**
Average exchange rate	4.79	4.78	4.98	5.15	-	**4.91**
USD/PLN FX Forward (including FX Swap)						
Notional amount (USD '000)	1,378	1,890	3,555	-	-	**6,823**
Average exchange rate	4.02	4.11	4.27	-	-	**4.18**
GBP/PLN FX Forward (including FX Swap)						
Notional amount (USD '000)	-	-	-	-	-	-
Average exchange rate	-	-	-	-	-	-

Impact of hedge accounting on financial position and results:

The following table shows the impact of cash flow hedging on the financial position and profit or loss with respect to hedging instruments as at December 31st 2022:

Instrument type	Unit	Notional amount Dec 31 2022	Assets Dec 31 2022	Liabilities Dec 31 2022	Statement of financial position item that includes the hedging instrument	Changes in fair value of the hedged item (as a basis for determining the ineffective portion in the period)	Hedging gains or losses for the reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Statement of comprehensive income (statement of profit or loss) item in which ineffectiveness amount is included	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
Forward – sale of currency	**EUR**	54,584	1,246	78	Derivative financial instruments	1,168	1,252	-	**Finance income/costs**	-907	Finance income/costs
Forward – sale of currency	**USD**	28,495	65	1,906	Derivative financial instruments	-1,841	774	-	**Finance income/costs**	-3,926	Finance income/costs
Forward – sale of currency	**GBP**	**-**	**-**	-	Derivative financial instruments	-	23	-	**Finance income/costs**	8	Finance income/costs
TOTAL		**83,079**	**1,311**	**1,984**		**-673**	**2,049**			**-4,825**	

And as at December 31st 2021:

Instrument type	Unit	Notional amount Dec 31 2021	Assets Dec 31 2021	Liabilities Dec 31 2021	Statement of financial position item that includes the hedging instrument	Changes in fair value of the hedged item (as a basis for determining the ineffective portion in the period)	Hedging gains or losses for the reporting period, recognised in other comprehensive income	Hedge ineffectiveness amount taken to profit or loss	Statement of comprehensive income (statement of profit or loss) item in which ineffectiveness amount is included	Amount reclassified from cash flow hedge reserve to profit or loss as reclassification adjustment	Item of statement of comprehensive income (statement of profit or loss) in which reclassification adjustment is included
Forward – sale of currency	**EUR**	21,116	35	1,712	Other financial assets/liabilities	68	540	-	NA	-974	finance costs
Forward – sale of currency	**USD**	7,859	-	2,128	Other financial assets/liabilities	-	-	-	NA	-563	finance costs
Forward – sale of currency	**GBP**	210	-	31	Other financial assets/liabilities	-	-	-	NA	-2	finance costs
TOTAL		**29,185**	**35**	**3,872**		**68**	**540**	**-**		**-1,539**	

The following table shows the effect of cash flow hedging on the financial position and profit or loss with respect to hedged items as at December 31st 2022:

(PLN ‘000)	Change in value of hedged item used as basis for recognising hedge ineffectiveness in given period	Balance of cash flow hedge reserve for continuing hedges	Balance remaining in cash flow hedge reserve in respect of all hedging relationships for which hedge accounting is no longer applied
CASH FLOW HEDGE CURRENCY RISK			
Revenue in EUR from sale of merchandise	-1,168	682	-
Revenue in USD from sale of merchandise	1,841	-493	-
Revenue in GBP from sale of merchandise	-	-	-
TOTAL	**673**	**189**	**-**

The following table presents the change in cash flow hedge reserve over the reporting period:

	2022	2021
AT BEGINNING OF PERIOD	**-1,861**	**-1,524**
CASH FLOW HEDGE CURRENCY RISK		
Hedging gains or losses recognised in other comprehensive income during the reporting period	-2,776	-3,725
Part of loss taken to statement of profit or loss as hedged item was not expected to occur	NA	NA
Amount reclassified from cash flow hedge reserve to statement of profit or loss (revenue) as reclassification adjustment	-4,825	-3,389
AT END OF PERIOD	**189**	**-1,861**

Note 17. OTHER NON-FINANCIAL ASSETS

Item	Dec 31 2022	Dec 31 2021
Prepayments and accrued income	2,101	1,545
Total other non-financial assets	**2,101**	**1,545**

The main items of prepayments and accrued income are insurance and software lease.

Note 18. CASH AND CASH EQUIVALENTS

Item	Dec 31 2022	Dec 31 2021
Cash at banks and cash in hand	12,887	17,284
Short-term deposits	318	594
Total cash and cash equivalents	**13,206**	**17,878**

Note 19. SHARE CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

Item	Dec 31 2022	Dec 31 2021
Number of shares	10,298,554	10,298,554
Par value of shares	0.2	0.2
Share capital	2,060	2,060
Restatement due to hyperinflationary conditions	1,557	1,557
Share capital at end of period	**3,616**	**3,616**

Components of equity from restatement under hyperinflationary conditions are disclosed as a part of the share capital.

Shareholding structure:

Shareholders as at Dec 31 2022	Share preference	Type of limitation on rights to shares	Number of shares	Ownership interest (%)
SW Holding	None	-	3,387,139	**32.89%**
Spruce Holding Limited Liability Company (USA)	None	-	1,091,952	**10.60%**
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	-	600,000	**5.83%**
SECO/WARWICK S.A.	None	-	1,802,189	**17.50%**
Metlife OFE	None	-	577,470	**5.61%**
Other	None	-	2,839,804	**27.57%**
TOTAL			**10,298,554**	**100%**

Shareholders as at Dec 31 2021	Share preference	Type of limitation on rights to shares	Number of shares	Ownership interest (%)
SW Holding	None	-	3,387,139	**32.89%**
Spruce Holding Limited Liability Company (USA)	None	-	1,091,952	**10.60%**
Nationale-Nederlanden Otwarty Fundusz Emerytalny	None	-	600,000	**5.83%**
SECO/WARWICK S.A.	None	-	1,802,189	**17.50%**
Metlife OFE	None	-	577,470	**5.61%**
Other	None	-	2,839,804	**27.57%**
TOTAL			**10,298,554**	**100%**

Other components of equity

Other components of equity:	Share-based payment reserve	Share buyback reserve	Hedging reserve	Actuarial gains/(losses)	Total other components of equity
Other components of equity as at Jan 1 2022	**6,219**	**42,765**	**-1,861**	**-142**	**46,981**
Other comprehensive income	**-**	-	2,049	-	**2,049**
Valuation of management stock option plan	1,526	-	-	-	**1,526**
Other components of equity as at Dec 31 2022	**7,745**	**42,765**	**188**	**-142**	**50,556**
Other components of equity as at Jan 1 2021	**7,973**	**29,765**	**-1,524**	**-142**	**36,071**
Other comprehensive income	-	-	-336	-	**-336**
Valuation of management stock option plan	648	-	-	-	**648**
Award of management stock options	-2,555	-	-	-	**-2,555**
Repurchase of shares	-	13,000	-	-	**13,000**
Sale of treasury shares under the incentive scheme	153	-	-	-	**153**
Other components of equity as at Dec 31 2021	**6,219**	**42,765**	**-1,861**	**-142**	**46,981**

The share buyback reserve was transferred from statutory reserve funds by way of resolution of the Extraordinary General Meeting on October 30th 2014 to purchase own shares.

Hedging reserve

The Company's hedging reserve is related to the following financial instruments:

	Cash flow hedge reserve – fair value of a forward contract
As at Jan 1 2021	**-1,524**
Plus: change in fair value of hedging instruments recognised in other comprehensive income	-37
Minus: reclassification from other comprehensive income to profit or loss	-378

Minus: Deferred income tax	79
As at Dec 31 2021	**-1,861**
Plus: change in fair value of hedging instruments recognised in other comprehensive income	68
Minus: reclassification from other comprehensive income to profit or loss	2,462
Minus: Deferred income tax	-481
As at Dec 31 2022	**189**

Share buyback reserve and treasury shares

The acquisition of treasury shares by the Company and its purpose are disclosed in Section I General information, Section 6 Major holdings of shares. As at December 31st 2021, the Company held 1,802,189 treasury shares, representing 17.50% of the share capital, and as at December 31st 2020 – 1,308,904 treasury shares, representing 12.71% of the share capital. In 2021, the Group acquired 595,488 treasury shares worth PLN 8,750 thousand. 102,203 treasury shares worth PLN 2,555 thousand were issued under the incentive scheme.

The Company presents the acquired treasury shares in accordance with IAS 1 as a separate item of equity, deducting their value from equity. As at December 31st 2021, the amount was PLN -28,533 thousand (PLN -22,338 thousand as at December 31st 2020). The acquisition, sale, issue or retirement of treasury shares does not result in the recognition of any gains or losses in the entity's profit or loss.

Proceeds from sale or issue of own shares in 2021 amounted to PLN 153 thousand, and resulted from the terms of participation in the Incentive Scheme set out in its rules.

The treasury shares are shares in SECO/WARWICK S.A. held by Biuro Maklerskie mBanku (mBank Brokerage Office) for the purpose of issuing shares under an agreement for the purchase of treasury shares with participants of the Incentive Scheme, as discussed in more detail in Note 31 Management stock options.
The share buyback reserve is used to recognise fair value as at the date of allotment of shares issued in connection with the Incentive Scheme.

Data in PLN

Item	Number of shares	Par value of shares	Book value of shares	Equivalent of the value of shares acquired or sold for consideration	Percentage of share capital represented by shares
Shares as at Jan 1 2022	**1,802,189**	**0.20**	**360,438**	**28,532,101**	**17.5%**
Increase, including:					
- acquisition of shares for the Incentive Scheme	-	-	-	-	
Decrease, including:					
- sale of shares under the Incentive Scheme	-	-	-	-	
Shares as at Dec 31 2022	**1,802,189**	**0.20**	**360,438**	**28,532,101**	**17.5%**

Item	Number of shares	Par value of shares	Book value of shares	Equivalent of the value of shares acquired or sold for consideration	Percentage of share capital represented by shares
Shares as at Jan 1 2021	**1,308,904**	**0.20**	**261,781**	**22,337,600**	**12.7%**
Increase, including:					
- acquisition of shares for the Incentive Scheme	595,488	0.20	119,098	8,749,576	
Decrease, including:					
- sale of shares under the Incentive Scheme	-102,203	0.20	-20,441	-2,555,075	
Shares as at Dec 31 2021	**1,802,189**	**0.20**	**360,438**	**28,532,101**	**17.5%**

Share premium reserve

As at December 31st 2022 and December 31st 2021, the share premium reserve, created as a result of issue of Company shares, stood at PLN 78,666 thousand.

Retained earnings

Item	Dec 31 2022	Dec 31 2021
Retained earnings/loss	**88,322**	**78,563**
Current period's result	12,308	8,325
Statutory reserve funds	54,399	48,623
Retained earnings	21,615	21,615

Note 20. BORROWINGS

On March 12th 2020, SECO/WARWICK S.A. executed a PLN 15,000 thousand investment credit facility agreement with mBank S.A. of Warsaw. The facility was contracted to finance the repurchase of up to 1,000,000 Company shares pursuant to Resolution No. 5 of the Company's Extraordinary General Meeting of February 12th 2020. As at the date of signing Annex 3, i.e., November 10th 2020, the amount drawn under the facility was PLN 14,500 thousand. As at December 31st 2022, the total amount drawn under the facility was PLN 7,250 thousand. As at December 31st 2021, the total amount drawn under the facility was PLN 10,472 thousand.

On October 5th 2021, SECO/WARWICK S.A. executed a PLN 10,400 thousand investment credit facility agreement with mBank S.A. of Warsaw. The facility was contracted to finance the repurchase of up to 850,000 Company shares under the share buyback programme established pursuant to Resolution No. 5 of the Company's Extraordinary General Meeting of October 7th 2021. As at the date of signing Annex 1, i.e., November 26th 2021, the amount drawn under the facility was PLN 6,908 thousand. As at December 31st 2022, the total amount drawn under the facility was PLN 5,181 thousand. As at December 31st 2021, the total amount drawn under the facility was PLN 6,562 thousand.

The facilities are secured by a contractual mortgage over a property comprising the following plots of land held in perpetual usufruct:

- No. 195/94, situated at ul. Zachodnia 76, Świebodzin
- No. 195/80, situated at ul. Zachodnia 76, Świebodzin

Credit facilities as at December 31st 2022:

Lender	Amount in PLN '000	Currency	Limit/amount as per agreement	Interest	Repayment date	Security
mBANK S.A.	7,250	PLN	14,500	1M WIBOR + 1.35% p.a.	Mar 31 2025	mortgage, financial pledge over securities
mBANK S.A.	5,181	PLN	6,908	1M WIBOR + 1.35% p.a.	Sep 30 2026	mortgage, financial pledge over securities
mBANK S.A.	0	PLN	5,000	1M WIBOR + 1.1% p.a.	Jun 28 2024	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
mBank – credit card limit	76	PLN	-	-	None	None
mBank – credit card limit	39	USD	-	-	None	None
mBank – credit card limit	81	EUR	-	-	None	None
SANTANDER S.A. – overdraft facility	8,080	PLN	19,000	1M WIBOR + 1.0% p.a.	Feb 28 2024	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
BNP Paribas S.A. – overdraft facility	21,622	PLN	30,000	1M WIBOR + 1.1% p.a.	Oct 25 2023	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
PEKAO – overdraft facility	23,356	PLN	35,000	1M WIBOR + 1.25% p.a.	Aug 31 2023	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
Total	**65,685**					

Credit facilities as at December 31st 2021:

Lender	Loan amount	Currency	Limit/amount as per agreement	Interest	Repayment date	Security
mBANK S.A.	10,472	PLN	14,500	1M WIBOR + 1.35% p.a.	Mar 31 2025	mortgage, financial pledge over securities
mBANK S.A.	6,562	PLN	6,908	1M WIBOR + 1.35% p.a.	Sep 30 2026	mortgage, financial pledge over securities
mBank – credit card limit	46	PLN	-	-	None	None
mBank – credit card limit	2	USD	-	-	None	None
mBank – credit card limit	101	EUR	-	-	None	None
SANTANDER S.A. – overdraft facility	14,535	PLN	19,000	1M WIBOR + 1.0% p.a.	Feb 28 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
BNP Paribas S.A. – overdraft facility	14,082	PLN	20,000	1M WIBOR + 1.1% p.a.	Sep 30 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
PEKAO – overdraft facility	-	PLN	25,000	1M WIBOR + 1.25% p.a.	Aug 31 2022	representation on voluntary submission to enforcement under Art. 777.1 of the Code of Civil Procedure
Total	**45,801**					

Borrowings by maturity:

Item	Dec 31 2022	Dec 31 2021
Short-term borrowings	57,858	33,370
Long-term borrowings	7,827	12,431
- repayable in more than 1 year, up to 3 years	6,791	9,208
- repayable in more than 3 year, up to 5 years	1,036	3,223
Total borrowings	**65,685**	**45,801**

Borrowings	Dec 31 2022	Dec 31 2021
Overdrafts	53,059	28,617
Investment credit facility	12,431	17,035
Credit card limits	196	150
Total	**65,685**	**45,801**

Borrowings	
As at Jan 1 2022	**45,801**
Increase, including:	**24,488**
- funds borrowed under overdraft facilities	24,442
- funds borrowed under investment credit facility	-
– funds borrowed within credit card limit	46
Decrease, including:	**4,604**
- repayment of investment credit facility	4,604
As at Dec 31 2022	**65,685**

Note 21. LEASES

The Company as a lessee

Below are presented the carrying amounts of lease liabilities and their changes in the reporting period.

Item	2022
Liability amount as at Jan 1 2022	**7,429**
Increase (new leases)	3,762
Amendments to lease contracts	-376
Payment of interest	549
Payments	-2,572
As at Dec 31 2022	**8,792**
Short-term	2,077
Long-term	6,715

Item	2021
Liability amount as at Jan 1 2021	**8,984**
Increase (new leases)	911

Amendments to lease contracts	-700
Payment of interest	333
Payments	-2,099
As at Dec 31 2021	**7,429**
Short-term	1,926
Long-term	5,504

As at the end of 2022, the largest item that increased the amount of lease liabilities (PLN 2,895 thousand) was the car fleet. In 2021, there were no significant increases of lease liabilities.

For information on the maturities of the lease liabilities, see Note 30.4. Liquidity risk.

The table below presents amounts of income, expenses, gains and losses under leases recognised in the statement of comprehensive income.

Item	2022	2021
Depreciation of right-of-use assets	2,066	1,936
Interest expense on lease liabilities	549	333
Cost of short-term leases (included in cost of products and services sold)	378	253
Cost of leases of low-value assets (included in administrative expenses)	103	46
Total amount recognised in the statement of comprehensive income	**3,096**	**2,569**

The total cash outflow under the Company's lease contracts in 2022 was PLN 2,494 thousand (2021: PLN 2,362 thousand).

Undiscounted future payments under operating leases – the Company as a lessor

The lease income recognised by the Company under other income amounted to PLN 920 thousand in 2022 (2021: PLN 897 thousand).

As at December 31st 2022 and December 31st 2021, the maturities of lease payments were as follows (at undiscounted amounts):

Item	Dec 31 2022	Dec 31 2021
In the 1st year	920	897
In the 2nd year	610	574
In the 3rd year	598	563
In the 4th year	598	563
In the 5th year	598	563
In more than 5 years	299	281
Total	**3,623**	**3,441**

The Company mainly leases its own premises to its cooperating entities in the case of which the nature of cooperation requires location in close proximity.

Note 22. TRADE AND OTHER LIABILITIES

TRADE PAYABLES AND OTHER CURRENT LIABILITIES	Dec 31 2022	Dec 31 2021
a) trade payables, with maturities of up to 12 months	42,011	47,059

b) taxes, duties, social security and other benefits (excluding income tax) payable	5,289	4,670
c) capital commitments	709	300
e) other	143	214
TOTAL	**48,153**	**52,243**

Contingent liabilities

Contingent liabilities under guarantees and sureties issued were PLN 27,329 thousand as at the end of 2022, and PLN 44,317 thousand as at the end of 2021. The following guarantees were issued:

Item	Dec 31 2022	Dec 31 2021
performance bond	855	749
stand-by letter of credit	5,722	9,338
payments	-	5,592
bid bond	2,110	2,070
warranty obligations guarantee	4,537	3,810
Total	**13,224**	**21,559**

As at December 31st 2022, there were no material expected credit losses under financial guarantees issued. For information on sureties issued, see section 17 of the Directors' Report on the operations of SECO/WARWICK S.A.

Social assets and liabilities of the Company Social Benefits Fund

The Act on Company Social Benefits Fund of March 4th 1994 (as amended) stipulates that an employer is required to create a Company Social Benefits Fund if it has more than 50 full-time employees. The Company has set up such a fund and makes periodic contributions to it at the basic rate/the rate agreed upon with the trade unions. The fund holds property, plant and equipment. The purpose of the fund is to partly finance the Company's social activities, loans to its employees and other social costs.

The Company set off the fund's assets against its liabilities towards the fund because the fund's assets are not separate from the Company's assets.

The table below presents analytic data on the fund's assets, liabilities and expenses.

Item	Dec 31 2022	Dec 31 2021
Loans to employees	49	32
Cash	696	169
Liabilities to the fund	582	207
Net balance	**163**	**-6**
Contributions to the fund during the year	858	-

Note 23. EMPLOYEE BENEFITS

Retirement benefits and other post-employment benefits

Retiring employees of the Polish companies received retirement bonuses in amounts established pursuant to the Polish Labour Code. Therefore, based on a valuation prepared by a qualified actuary, the Company recognises an accrual for the present value of the retirement bonus obligations. The amount of the provision and reconciliation of changes in the provision amount during the year are presented in the table below.

Long-term employee benefit obligations	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
at beginning of period	1,060	1,334
increase	-	-
- recognition	-	-
decrease	245	274
- use	*45*	*10*
- reversal of provisions	*200*	*264*
at end of period	**816**	**1,060**

The following key assumptions as at the end of the reporting period were adopted to calculate the amount of the accrued retirement bonuses:

Item	Dec 31 2022	Dec 31 2021
Discount rate (%)	6.80%	3.60%
Expected rate of growth of salaries and wages (%) in year 1	10%	5%
Expected rate of growth of salaries and wages (%) in next years	5%	5%

Short-term employee benefit obligations	Jan 1–Dec 31 2022	Jan 1–Dec 31 2021
- accrued holiday entitlements	1,709	1,891
- accrued bonuses	9,352	5,190
- accrued retirement bonuses	32	42
- current salaries and wages	4,384	3,643
	15,478	**10,767**

Note 24. OTHER PROVISIONS

Item	*Provision for warranty repairs*	*Provision for penalties*	*Provision for loss-making contracts*	*Total*
As at Jan 1 2021	**4,211**	**220**	**589**	**5,020**
recognised during the financial year	5,286	-	-	5,286
use	-3,505	-	-	-3,505
reversed	-	-	-164	-164
As at Dec 31 2021	**5,992**	**220**	**424**	**6,637**
recognised during the financial year	2,081	-	-	2,081
use	-2,792	-	-	-2,792
reversed	-	-	-318	-318
As at Dec 31 2022	**5,281**	**220**	**107**	**5,607**

The Company reviews its provisions as at the end of each reporting period and adjusts them to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Accordingly, all other provisions are recognised as current provisions as in each case they will be used or settled within the next 12 months.
The Company has identified no need to recognise provisions for disassembly of property, plant and equipment and site restoration or for decommissioning of property, plant and equipment.

Provision for warranty repairs

The provision for warranty repairs is calculated on a case-by-case basis for each contract and reflects the contractual obligations towards the Customer during the warranty period. The amount of the provision is planned in accordance with internal guidance for each technology. On average, it ranges from 1.5% to 2% of the contract value. The assumptions adopted for the current period are consistent with those applied in the previous year. The Company calculates the provision for warranty repairs based on planned costs updated for the purpose of calculating the warranty provisions, less the costs of warranties, taking into account the stage of completion measured by reference to contract costs incurred.
Recognising the provision for warranties, the Company considers the percentage of contract completion (pro rata to revenue recognition), planning the costs of complaints until the contract is 100% complete (the final acceptance report is signed). As warranty costs arise or at the start of the warranty period, the provision is gradually reduced by the costs of warranty repairs incurred or by the amounts stated by the entity performing the contract if it determines that the claims for which the provision was recognised will not occur in the future. The provision is fully reversed at the end of the warranty period or once all outstanding warranty repairs have been completed.

As at December 31st 2022, the carrying amount of the provision was PLN 5,281 thousand (December 31st 2021: PLN 5,992 thousand).

A 10% difference in the cost of warranty claims relative to management estimates would result in an increase or decrease in the provision for warranty costs of approximately PLN 528.1 thousand (as at December 31st 2021 – an increase or decrease of PLN 599.2 thousand).

Provision for penalties
A provision for penalties is recognised if contractual penalties are highly likely to be paid in the future under ongoing contracts.
In 2022 and 2021, no provision for penalties was recognised or reversed.

Provision for loss-making contracts

The provision for loss-making contracts is calculated on a case-by-case basis for each contract. It is recognised if the difference between planned revenue and planned costs under the contract is lower than the difference in revenue and expenses recognised in the period.

As at December 31st 2022, the carrying amount of the provision was PLN 107 thousand (December 31st 2021: PLN 424 thousand).

Note 25. EXPLANATORY INFORMATION TO THE STATEMENT OF CASH FLOWS

Item	2022	2021
Interest and profit distributions (dividends)	**597**	**551**
financial interest paid	4,113	611
interest received on loans	-9	-60
dividends received	-3,507	-
Gain/(loss) on investing activities	**-13,844**	**529**
Gain from disposal of property, plant and equipment	-1,445	529
Impairment losses on shares in subsidiaries	-12,399	-

Change in provisions (including elimination of change in deferred tax liabilities) results from the following items:	**3,437**	**3,913**
net change in provisions	932	5,495
elimination of change in deferred tax liabilities	2,505	-1,582
Change in liabilities (excluding financial liabilities) results from the following items:	**-4,499**	**5,847**
net change in liabilities	-4,615	5,375
elimination of lease liabilities	-1,362	1,555
elimination of liabilities under forward contracts	1,887	-788
elimination of capital commitments	-409	-295
Change in currency derivative instruments results from:	**-633**	**683**
net change in assets	-1,276	310
revaluation reserve	2,530	-415
net change in liabilities	-1,887	788
Other	**-186**	**-331**
Accounting for lease in connection with decision not to exercise the right to purchase the leased asset	-186	-331

CASH FLOWS FROM INVESTING ACTIVITIES

	2022	2021
Proceeds from disposal of intangible assets and property, plant and equipment	**1,493**	**1,349**
Sale of property, plant and equipment item No AOO/00419	1,331	-
Sale of property, plant and equipment item No 452/01130	52	1,017
Sale of property, plant and equipment item No 741/00278	-	96
Sale of property, plant and equipment item No 452/01045	-	227
Sale of property, plant and equipment items to employees	65	0
Other	45	8
Other proceeds from financial assets	**2,009**	**60**
Loan repayment by SECO/WARWICK Services Sp. z o.o.	2,000	-
Loan interest repayment by SECO/WARWICK Services Sp. z o.o.	9	60
Dividends received	**3,507**	**-**
Dividend received from SECO/WARWICK Retech	3,367	-
Dividend received from SECO/WARWICK Services Sp. z o.o.	140	-
Investments in intangible assets and property, plant and equipment	**-7,370**	**-6,340**
Development work	-4,012	-3,531
Computers and licences	-203	-352
Solar PV	-1,077	-
Construction and refurbishment of production and office buildings	-1,118	-1,135
Plant and equipment	-432	-264
Other non-current assets	-528	-1,058
Net cash from investing activities	**-361**	**-4,931**

Reconciliation of debt liabilities to cash flows from financing activities as at December 31st 2022:

Jan 1 2022	Bank borrowings	Lease liabilities	Other	Total
Changes in cash flows from financing activities				
Payment of liabilities under bank borrowings	-4,604	-	-	-4,604
Payment of lease liabilities	-	-2,024	-	-2,024
Payment of interest on bank borrowings and leases	-3,564	-549	-	-4,113
Proceeds from bank borrowings	24,488	-	-	24,488
Net cash flows from financing activities	**16,320**	**-2,573**	**0**	**13,747**
Other changes				
Dividends and other distributions to owners	-	-	-2,549	-2,549
Grants received	-	-	523	523
Total other changes	**0**	**0**	**-2,026**	**-2,026**
Total as at Dec 31 2022	**16,320**	**-2,573**	**-2,026**	**11,721**

Reconciliation of debt liabilities to cash flows from financing activities as at December 31st 2021:

Jan 1 2021	Bank borrowings	Lease liabilities	Other	Total
Changes in cash flows from financing activities				
Payment of liabilities under bank borrowings	-3,568	-	-	-3,568
Payment of lease liabilities	-	-1,766	-	-1,766
Payment of interest on bank borrowings and leases	-278	-333	-	-611
Proceeds from bank borrowings	19,284	-	-	19,284
Net cash flows from financing activities	**15,439**	**-2,099**	**0**	**13,340**
Other changes				
Dividends and other distributions to owners	-	-	-4,944	-4,944
Proceeds from sale or issue of own shares	-	-	-8,750	-8,750
Repurchase of shares	-	-	153	153
Grants received	-	-	849	849
Total other changes	**0**	**0**	**-12,692**	**-12,692**
Total as at Dec 31 2021	**15,439**	**-2,099**	**-12,692**	**648**

Note 26. RELATED PARTIES

Related party (subsidiaries)	year	Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
SECO/WARWICK Corporation					
	2022	408	649	2,194	168
	2021	46	482	2,309	324
SECO/WARWICK Rus					
	2022	3,904	110	396	-
	2021	6,557	955	4,584	32
RETECH SYSTEMS LLC					
	2022	6,828	6,826	142	4,792
	2021	11,579	36,123	990	13,542
SECO/WARWICK RETECH Thermal Equipment Manufacturing Tianjin Co., Ltd.					
	2022	2,448	2,458	2,926	5,125
	2021	1,289	3,049	1,232	6,209
SECO/WARWICK Germany GmbH					
	2022	314	1,949	2,119	13
	2021	409	688	3,323	0
SECO/WARWICK Services					
	2022	4,667	583	866	64
	2021	4,451	895	1,078	157
SECO VACUUM TECHNOLOGIES LLC					
	2022	40,574	701	19,249	733
	2021	3,635	267	711	32
SECO/WARWICK Systems and Services India					
	2022	160	1,503	145	232
	2021	135	933	113	543

Note 27. REMUNERATION OF KEY PERSONNEL

Senior management of SECO\WARWICK S.A. comprises members of the Management and Supervisory Boards.

REMUNERATION OF THE MANAGEMENT BOARD

Name and surname	Base salary for period	Other benefits, including bonuses, awards	Accrued incentive scheme costs	Total remuneration in the period
Dec 31 2022	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**
Sławomir Woźniak	548	549	444	1,541
Piotr Walasek	387	255	218	859
Earl Good	1,104	250	223	1,578
Bartosz Klinowski	387	311	218	916
Total	**2,426**	**1,365**	**1,103**	**4,894**
Dec 31 2021	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**	**(PLN '000)**
Sławomir Woźniak	480	365	262	1,107
Jarosław Talerzak (1)	130	43	-	173
Piotr Walasek	360	250	87	697
Earl Good	1,162	-	87	1,249
Bartosz Klinowski	360	215	87	662

Total	2,492	873	524	3,888

(1) The remuneration amount relates to the term of office on the Management Board: from January 1st 2021 to April 27th 2021.

REMUNERATION OF THE SUPERVISORY BOARD:

Name and surname	Total remuneration	
	Dec 31 2022	Dec 31 2021
Andrzej Zawistowski, including:	332	325
- for his service as Chair of the Supervisory Board	212	205
- under contract for advisory services (1)	120	120
Jeffrey Boswell, including:	196	169
- under employment contract (2)	196	169
Henryk Pilarski (3)	22	54
Marcin Murawski	43	45
Jacek Tucharz (4)	17	42
Robert Jasiński (5)	25	-
Maciej Karnicki (6)	38	-
Total	**673**	**635**

(1) Under a service contract between SECO/WARWICK S.A. and Mr Andrzej Zawistowski, who conducts business activities as USŁUGI DORADCZE Andrzej Zawistowski. The contract of January 2nd 2020 is for the provision of technical and product development advisory services.
(2) Under an employment contract between SECO/WARWICK Corp. and Mr Jeffrey Boswell.
(3) Mr Henryk Pilarski served on the Supervisory Board until May 25th 2022.
(4) Mr Jacek Tucharz served on the Supervisory Board until May 25th 2022.
(5) Mr Robert Jasiński has been serving on the Supervisory Board since May 25th 2022.
(6) Mr Maciej Karnicki has been serving on the Supervisory Board since May 25th 2022.

Note 28. FINANCIAL INSTRUMENTS

Item	Category under IFRS 9	Carrying amount Dec 31 2022	Carrying amount Dec 31 2021	Maximum credit risk exposure as at Dec 31 2022
Financial assets				
Loans advanced	At amortised cost	0	2,000	0
Trade and other receivables	At amortised cost	58,775	67,342	58,775
Long-term receivables	At amortised cost	1,641	1,279	1,641
Hedging instruments	At fair value through profit or loss	1,311	35	1,311
Cash and cash equivalents	At amortised cost	13,206	17,878	13,206
Contract assets	At amortised cost	91,761	67,818	91,761
Sureties issued	-	-	-	14,105
Financial liabilities				
Current				
Short-term bank borrowings	At amortised cost	57,858	33,370	-
Lease liabilities	At amortised cost	2,077	1,926	-
Trade and other liabilities	At amortised cost	48,153	52,243	-
Hedging instruments	At fair value through profit or loss	1,984	3,782	-
Non-current				
Long-term bank borrowings	At amortised cost	7,827	12,431	-
Hedging instruments	At fair value through profit or loss	0	90	
Lease liabilities	At amortised cost	6,715	5,504	-

At amortised cost – measurement at amortised cost
At fair value – measurement at fair value through profit or loss.
*In the case of derivative instruments serving as hedging instruments, measurement is recognised in profit or loss through finance income or finance costs in proportion to the percentage of completion of the hedged contract.

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

Income, expenses, gains and losses accounted for in the statement of profit or loss/ statement of comprehensive income, by category of financial instruments in 2022

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	Gains/(losses) on derecognition of financial assets
Financial assets						
Loans advanced	41	-	-	-	-	-
Trade and other receivables	123	-748	-	-876	-	-
Long-term receivables	-	-	-	-	-	-
Derivative financial instruments	-	-	-	444	270	-
Cash and cash equivalents	17	2,439	-	80	-	-
TOTAL	**182**	**1,691**	**0**	**-352**	**270**	**0**

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	
Financial liabilities						
current						
Short-term bank borrowings	-4,851	7	-	-4	-	-
Lease liabilities	-549	-	-	-	-	-
Trade and other liabilities	-131	-362	-	224	-	-
Hedging instruments	-	-	-	141	-5,321	-
non-current					-	
Long-term bank borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Hedging instruments	-	-	-	48	-	-
TOTAL	**-5,532**	**-356**	**0**	**409**	**-5,321**	**-**

Income, expenses, gains and losses accounted for in the statement of profit or loss/ statement of comprehensive income, by category of financial instruments in 2021

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	Gains/(losses) on derecognition of financial assets
Financial assets						
Loans advanced	89	-	-29	-	-	-
Trade and other receivables	15	1,142	127	-537	-	-
Long-term receivables	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-219	383	-
Cash and cash equivalents	33	414	-	-385	-	-
TOTAL	**137**	**1,556**	**98**	**-1,140**	**383**	**-**

	Other interest income/(expense)	Realised foreign exchange gains/(losses)	Impairment losses reversed/(recognised)	Valuation gains/(losses)	Gains/(losses) on settlement of financial instruments	
Financial liabilities						
current						
Short-term bank borrowings	-749	-	-	-3	-	-
Lease liabilities	-333	-	-	-	-	-
Trade and other liabilities	-153	-377	-	541	-	-
Hedging instruments	-	-	-	-512	-3,028	-
non-current					-	
Long-term bank borrowings	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-
Hedging instruments	-	-	-	48	-	-
TOTAL	**-1,235**	**-377**	**-**	**74**	**-3,028**	**-**

Changes in liabilities arising from financing activities

	Jan 1 2022	changes resulting from cash flows from financing activities	increase under leases	redemption/sale/assignment	effect of valuation of hedging instruments	Reclassification	Dec 31 2022
Non-current:							
Interest-bearing borrowings	12,431	-4,604	0	0	-	-	**7,827**
Lease liabilities	5,504	-	2,476	24	-28	-1,261	**6,715**
Current:							
Interest-bearing borrowings	33,370	24,488	0	0	-	-	**57,858**
Lease liabilities	1,926	-2,024	1,236	-332	10	1,261	**2,077**
Total liabilities arising from financing activities	**53,231**	**17,860**	**3,713**	**-308**	**-18**	**0**	**74,476**

	Jan 1 2021	changes resulting from cash flows from financing activities	increase under leases	redemption/sale/assignment	effect of valuation of hedging instruments	Reclassification	Dec 31 2021
Non-current:							
Interest-bearing borrowings	10,472	1,959	0	0	-	-	**12,431**
Lease liabilities	6,678	-	803	-49	-4	-1,923	**5,504**
Current:							
Interest-bearing borrowings	19,612	13,758	0	0	-	-	**33,370**
Lease liabilities	2,306	-1,766	122	-636	-24	1,923	**1,926**
Total liabilities arising from financing activities	**39,069**	**13,950**	**925**	**-685**	**-28**	**-**	**53,231**

Note 29. EMPLOYMENT STRUCTURE

Item	Dec 31 2022	Dec 31 2021
Production and product unit employees	403	390
White-collar employees	117	115
Apprentices	7	-
Employees on parental leaves	2	3
Total	**529**	**508**

Note 30. OBJECTIVES AND POLICY OF FINANCIAL RISK MANAGEMENT

As part of its operating and financing activities, the Company is exposed to risks related primarily to its financial instruments. Those risks may be broadly defined as market risk, and comprise currency risk, interest rate risk, liquidity risk and credit risk. The Company manages financial risks in order to limit the adverse impact of changes in foreign exchange rates and interest rates, as well as to stabilise cash flows and ensure an appropriate level of financial liquidity and flexibility. The financial risk management policies for the Group are determined by the Management Board of the Parent. As part of the risk management process, an expert system for management accounting was developed and implemented. The key parameters of operational and financial risks are monitored on the basis of monthly reports prepared by the Group companies.

30.1 Currency risk

Due to its active and extensive presence on foreign markets, the Company enters into certain sales and purchase transactions denominated in foreign currencies. The Company also has loans and other financial liabilities denominated in foreign currencies. This exposes the Group to the risk of exchange rate fluctuations. For currency risk management purposes, the Company enters into currency forward transactions, as described in detail in Note 16 to these financial statements.

Assets and liabilities denominated in foreign currencies and translated into PLN at the closing rate effective as at the reporting date are presented below:

	As at	As at	As at	As at
Liabilities	Dec 31 2022	Dec 31 2022	Dec 31 2021	Dec 31 2021
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	3,184	14,933	5,956	27,393
USD	1,601	7,047	1,102	4,473
GBP	19	100	45	248
	As at	As at	As at	As at
Assets	Dec 31 2022	Dec 31 2022	Dec 31 2021	Dec 31 2021
	in foreign currency	in PLN	in foreign currency	in PLN
EUR	6,592	30,914	14,238	65,488
USD	5,811	25,577	3,835	15,572
GBP	123	651	215	1,179
Notional amount of the hedging instrument – for currency sale transactions				
EUR	11,122	52,161	48,086	221,167
USD	6,823	30,033	11,781	47,831

Sensitivity to currency risk

The Company is mainly exposed to currency risk related to the euro and US dollar.

Presented below is a sensitivity analysis for financial assets and liabilities, showing the effect of movements in the EUR/PLN exchange rates on the Company's profit or loss and other comprehensive income.

Exchange rate at Dec 31 2022	Exchange rate	10% increase in exchange rate	decrease in exchange rate -10%
USD	4.4018	0.440	-0.440
EUR	4.6899	0.469	-0.469
GBP	5.2957	0.530	-0.530
Exchange rate at Dec 31 2021	**Exchange rate**	**10% increase in exchange rate**	**decrease in exchange rate -10%**
USD	4.0600	0.406	-0.406
EUR	4.5994	0.460	-0.460
GBP	5.4846	0.548	-0.548

Assumptions:
- exchange rate at reporting date Dec 31 2022
- 10% increase in exchange rate
- 10% decrease in exchange rate

Effect on equity		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR	Effect of GBP	Effect of GBP
		Period ended Dec 31 2022	Period ended Dec 31 2021	Period ended Dec 31 2022	Period ended Dec 31 2021	Period ended Dec 31 2022	Period ended Dec 31 2021
ASSETS							
Rate increase	10%	2,558	1,688	3,091	6,678	65	114
Rate decrease	-10%	-2,558	-1,688	-3,091	-6,678	-65	-114
LIABILITIES AND BANK BORROWINGS							
Rate increase	10%	-705	-485	-1,493	-2,793	-10	-24
Rate decrease	-10%	705	485	1,493	2,793	10	24
TOTAL							
Rate increase	10%	1,853	1,203	1,598	3,884	55	90
Rate decrease	-10%	-1,853	-1,203	-1,598	-3,884	-55	-90

Effect on profit/loss		Effect of USD	Effect of USD	Effect of EUR	Effect of EUR	Effect of GBP	Effect of GBP
		Period ended Dec 31 2022	Period ended Dec 31 2021	Period ended Dec 31 2022	Period ended Dec 31 2021	Period ended Dec 31 2022	Period ended Dec 31 2021
ASSETS							
Rate increase	10%	2,558	1,688	3,091	6,678	65	114

Rate decrease	-10%	-2,558	-1,688	-3,091	-6,678	-65	-114
LIABILITIES AND BANK BORROWINGS							
Rate increase	10%	-705	-485	-1,493	-2,793	-10	-24
Rate decrease	-10%	705	485	1,493	2,793	10	24
TOTAL							
Rate increase	10%	1,853	1,203	1,598	3,884	55	90
Rate decrease	-10%	-1,853	-1,203	-1,598	-3,884	-55	-90

Exposure to currency risk changes during the year depending on the volume of transactions carried out in foreign currencies. However, the sensitivity analysis is considered to be representative of the Company's exposure to foreign currency risk.

30.2 Interest rate risk

The Company uses interest-bearing borrowings. Liabilities under credit facilities of PLN 65,685 thousand and lease liabilities of PLN 7,194 thousand bear interest at variable rates, while lease liabilities of PLN 1,598 thousand bear interest at fixed rates. Accordingly, the Company is exposed to interest rate risk. The risk is estimated on the basis of interest rate increase/decrease by 1%.

	Effect on profit/loss before tax	Effect on profit/loss before tax
	+ 1%/- 1%	+ 1%/- 1%
	Year ended Dec 31 2022	**Year ended Dec 31 2021**
Lease liabilities	+/- 88	+/- 74
Other financial liabilities at amortised cost (bank borrowings)	+/- 657	+/- 458

30.3 Capital management

The primary objective of the Company's capital management is to maintain good credit rating and safe capital ratios, in order to support the Company's operations and increase the shareholder value.

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust the capital structure, the Company may change dividend payments, return capital to shareholders or issue new shares. In the year ended December 31st 2022, no changes were introduced to the objectives, principles and processes applicable in this area.

The Company monitors its equity using a gearing ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Company's net debt includes interest-bearing borrowings and finance lease liabilities, less cash and cash equivalents.

The gearing ratio at end of the respective years was as follows:

	As at Dec 31 2022 (PLN '000)	**As at Dec 31 2021 (PLN '000)**
Debt	74,476	53,231
Cash and cash equivalents	-13,206	-17,878
Net debt	61,271	35,353
Equity	192,627	179,294
Net debt to equity	**31.81%**	**19.72%**

The level of the net debt to equity ratio is a result of the Management Board's conservative approach to debt. Accumulated cash is used to finance the Company's operating activities. The ratio increased in 2022 as a result of higher overdraft facilities and in 2021 as a result of the investment credit facility contracted in 2021, as described in Note 20 to these financial statements. The level of the ratio is in line with the Company's expectations.

30.4 Liquidity risk

Liquidity risk is the risk that the Group may face difficulties in meeting financial liabilities. The liquidity risk management process at the Company involves projecting future cash flows, analysing the level of liquid assets in relation to cash flows, monitoring the liquidity ratios based on items of the statement of financial position, and maintaining access to various sources of financing.

The Company also manages liquidity risk by maintaining open and undrawn credit facilities which serve as a liquidity reserve and secure solvency and financial flexibility. The Company recognises bank borrowings as financial instruments which may potentially cause concentration of liquidity risk as the Company maintains relationships with selected financial institutions only. As at December 31st 2022, short-term bank borrowings represented 34% of total current liabilities (December 31st 2021: 25%). The Company has undrawn credit facilities of PLN 35,941 thousand; for summary information see Note 20 to these financial statements.

The table below presents the Company's financial liabilities by maturity as at December 31st 2022 and December 31st 2021.

Dec 31 2022	up to 1 year	1–2 years	2-3 years	3-4 years	4–5 years	over 5 years	Total (undiscounted)	Total carrying amount
Borrowings	57,858	4,604	2,187	1,036	-	-	**65,685**	**65,685**
Trade payables	42,011	-	-	-	-	-	**42,011**	**42,011**
Lease liabilities	2,465	3,319	1,482	590	302	6,680	**14,838**	**8,792**
Derivative financial instruments	1,984	0	-	-	-	-	**1,984**	**1,984**
Other current liabilities	6,142	-	-	-	-	-	**6,142**	**6,142**
TOTAL	**110,462**	**7,923**	**3,669**	**1,626**	**302**	**6,680**	**130,661**	**124,615**

Dec 31 2021	up to 1 year	1–2 years	2-3 years	3-4 years	4–5 years	over 5 years	Total (undiscounted)	Total carrying amount
Borrowings	33,370	4,604	4,604	2,187	1,036	-	**45,802**	**45,802**
Trade payables	47,059	-	-	-	-	-	**47,059**	**47,059**
Lease liabilities	2,243	1,466	2,160	567	108	6778	**13,322**	**7,429**
Derivative financial instruments	3,782	90	-	-	-	-	**3,872**	**3,872**
Other current liabilities	5,184	-	-	-	-	-	**5,184**	**5,184**
TOTAL	**91,639**	**6,160**	**6,764**	**2,754**	**1,144**	**6,778**	**115,239**	**109,346**

30.5 Credit risk

The Company executes transactions only with reputable companies enjoying sound credit standing. Each customer who wishes to use trade credit is subject to preliminary verification procedures. Moreover, thanks to ongoing monitoring of the balance of receivables, the Company's exposure to the risk of unrecoverable receivables is insignificant.

With respect to the Company's other financial assets, such as derivative instruments, credit risk is related to the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such instruments. The risk of impairment of other financial assets is monitored by the Company through impairment tests of discounted cash flows. As regards contract assets, a case-by-case analysis is performed, with impairment losses recognised under a simplified model described in the following paragraph.

The Company applies a simplified model for calculating impairment losses on trade receivables (regardless of maturity). The expected credit loss is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for

a given amount receivable. To estimate expected credit losses on receivables from customers, the Company uses a provision matrix estimated based on historical data on payments of amounts due from customers. The Company takes into account forward-looking information in its expected loss estimation model by adjusting the underlying default probability ratios. The expected credit loss on receivables from customers is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for a given amount receivable.
The maturity structure of receivables is presented in Note 15.

Impairment loss rates for each past due category of trade receivables were calculated based on a two-year historical reference period. A matrix was created with quarterly movement rates between past due categories for eight consecutive historical quarters. For the longest past due period considered (more than 180 days), the cure rate, reflecting recovered amounts of receivables previously considered uncollectible, was also taken into account. The average of the rates was then calculated and, on this basis, the final parameters of impairment losses were calculated for each quarterly past due category, ranging from 1.13% for non-delinquent receivables to 59.78% for receivables past due over 180 days.

Note 31. INCENTIVE SCHEME

Adoption of the Incentive Scheme for members of the SECO/WARWICK Group's management staff for 2022–2024

On December 16th 2021, by Resolution No. 1/2021 the Supervisory Board defined the individual targets for 2022 for the participants of the 2022–2024 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.
The framework terms of the 2022−2024 Incentive Scheme were adopted by the Extraordinary General Meeting on October 7th 2021, as announced by the Company in Current Report No. 15/2021 of October 7th 2021.
Costs incurred in 2022 in connection with the 2022–2024 Incentive Scheme amounted to PLN 1,460 thousand.

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

The total cost of option vesting recognised in 2022 was PLN 1,525 thousand (PLN 648 thousand in 2021).

Note 32. EVENTS SUBSEQUENT TO THE REPORTING DATE

On February 16th 2023, an annex to an overdraft facility agreement with Santander Bank Polska Spółka Akcyjna was signed, with the facility repayment deadline falling on February 28th 2024. The overdraft facility, amounting to PLN 19m, is intended for the financing of day-to-day operations.

Note 33. FEES OF AUDITORS

In 2022, the Company used selected audit firm services, such as audit of the full-year separate financial statements of SECO/WARWICK S.A. and the consolidated financial statements of the SECO/WARWICK Group, review of the half-year separate and consolidated financial statements, and assessment of the report on remuneration of Supervisory Board and Management Board members.

The table below presents total auditors' fees for 2022 and 2021.

Table: Total auditors' fees for 2022 and 2021

Service	Fees for 2022 (PLN '000)	Fees for 2021 (PLN '000)
Audit of full-year financial statements	205	180
Other assurance services, including review of financial statements	217	190
Other services	23	20
Total	**445**	**390**

Date: April 27th 2023

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

Chief Accountant

Krzysztof Opszalski