



SECO/WARWICK
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DIRECTORS' REPORT
ON THE SECO/WARWICK GROUP'S OPERATIONS
IN THE SIX MONTHS
ENDED JUNE 30TH 2019

The Management Board of SECO/WARWICK S.A. presents the Directors' Report on the SECO/WARWICK Group's operations in the period January 1st–June 30th 2019, prepared in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757) (the "Regulation").

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IFRS"), as endorsed by the EU, and the Regulation. The financial statements are presented in the zloty ("PLN") and, unless specified otherwise, all amounts are given in thousands of PLN. The interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the 12 months after the end of the most recent reporting period, i.e. June 30th 2019.

1. The SECO/WARWICK Group

1.1 General information

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

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

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

The Group has one associate:

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

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

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

1.2 Composition of the SECO/WARWICK Group as at June 30th 2019

Table: Composition of the SECO/WARWICK Group as at June 30th 2019 is presented below:

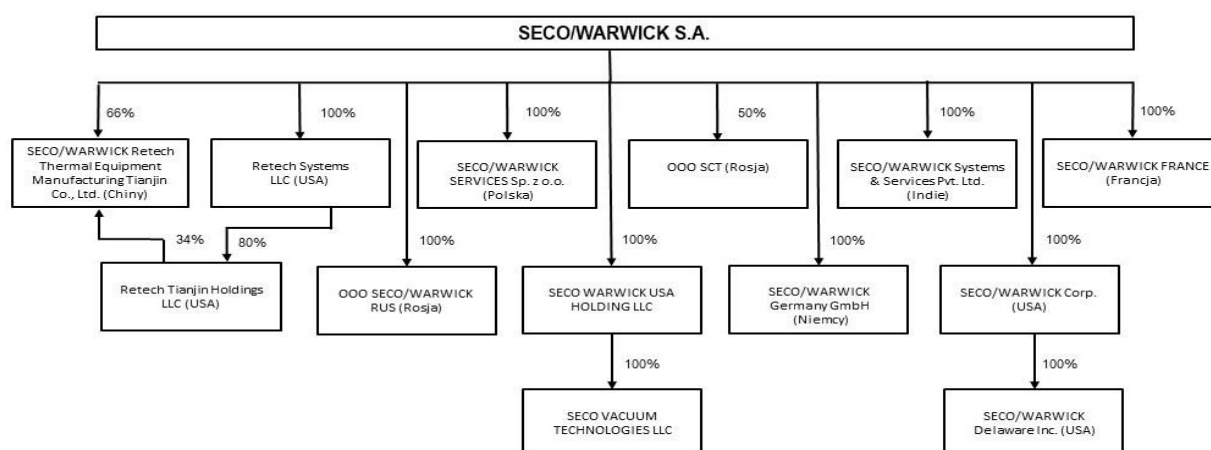
Company	Registered office	Principal business activity	Method of consolidation/accounting for equity interest	Group's ownership interest
Parent				
SECO/WARWICK S.A.	Świebodzin (Poland)	Holding company of the SECO/WARWICK Group. Holding equity interests and providing strategic management services. Manufacture of equipment for metal heat treatment.	N.A.	N.A.
Direct and indirect subsidiaries				
SECO/WARWICK Corp.	Meadville (USA)	Manufacture of equipment for metal heat treatment.	Full	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.	Full	100%
OOO SECO/WARWICK Rus	Moscow (Russia)	Distribution of the Group's products.	Full	100%
Retech Systems LLC	Ukiah (USA)	Trade and services; manufacture of metallurgy equipment used for melting and vacuum casting of metals and specialty alloys.	Full	100%
SECO/WARWICK Retech Thermal Equipment Manufacturing Tianjin Co., Ltd.	Tianjin (China)	Manufacture of equipment for metal heat treatment.	Full	93%
Retech Tianjin Holdings LLC	(USA)	Holding company.	Full	80%
OOO SCT	Solnechnogorsk (Russia)	Provision of metal heat treatment services in Russia.	Equity	50%
SECO/WARWICK Germany GmbH	Bedburg-Hau (Germany)	Provision of metal heat treatment services in Germany.	Full	100%
SECO/WARWICK France	Roissy-en-Brie (France)	Commercial and technical representation of SECO/WARWICK S.A. in France, French-speaking countries and their neighbouring countries.	Full	100%

The SECO/WARWICK Group

Directors' Report on the Group's operations for the six months ended June 30th 2019

SECO/WARWICK Services Sp. z o.o.	Świebodzin (Poland)	Repair and maintenance services.	Full	100%
SECO WARWICK USA HOLDING LLC	Wilmington (USA)	Holding company.	Full	100%
SECO VACUUM TECHNOLOGIES LLC	Wilmington (USA)	Sale and distribution of vacuum furnaces.	Full	100%
SECO/WARWICK Systems and Services India PVT. Ltd.	Mumbai (India)	Sale, repair and maintenance services.	Full	100%

Organisational chart of the Group as at June 30th 2019



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

There were no changes in the composition of the SECO/WARWICK Group between June 30th 2019 and the date of issue of this Report.

2. Other supplementary information.

2.1. Material achievements and failures of SECO/WARWICK S.A. and the SECO/WARWICK Group in H1 2019 and key related events

In the first half of 2019, the SECO/WARWICK Group companies secured a backlog of orders worth PLN 179m (including approximately PLN 72.7m in Q2 2019), down by PLN 33m year on year. Including the orders secured in the first half of 2019, the total backlog value at the end of June 2019 was PLN 299m.

Analysis of sales by geographical segments showed a year-on-year rise in sales on the Asian market (up +2% compared with the first half of 2018) and a drop in sales on the other markets. The most significant decline was recorded on the US market (down 23% year on year), where the Group is experiencing a slowdown due to the

uncertainty related to the upcoming elections. Consolidated sales of the SECO/WARWICK Group went down by 14%, to PLN 231m, from PLN 268m in the first half of 2018.

The Asian subsidiary SECO/WARWICK Retech (China) and the Polish service company SECO/WARWICK Service recorded sales increases of 26% and 11%, respectively. The other companies posted lower sales: SECO/WARWICK S.A. – down 7%, SECO/VACUUM Technologies LLC – down 12%, Retech Systems LLC – down 13%, SECO/WARWICK Corp. – down 38%.

In the first half of 2019, almost all of the Group's operating segments saw an increase in sales. The largest decreases occurred in the following segments: metallurgy equipment used for melting and vacuum casting of metals and specialty alloys (-25%), atmosphere furnaces (-17%), and vacuum furnaces (-9%).

As at the date of issue of the H1 2019 report, the Company's and the Group's business was stable. The Group and the Company pay all their liabilities when due.

2.2. Factors and events, including non-recurring ones, with material bearing on the interim condensed financial statements

Other than those described in Section 2.1, there were no factors or events in the SECO/WARWICK Group's business, especially non-recurring ones, that would have material bearing on its financial performance in H1 2019.

2.3. Changes in the Group structure in H1 2019, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations

In the first half of 2019, no organisational changes took place in the Group's business, including changes resulting from merger, acquisition or loss of control of subsidiaries and long-term investments, demerger, restructuring or discontinued operations.

2.4. Management Board's position on the feasibility of meeting any previously published forecasts for 2019 in light of the results presented in the H1 2019 report

The SECO/WARWICK Management Board did not publish any forecasts of the Company's or the Group's financial results in 2019.

2.5. Shareholders holding, directly or indirectly, 5% of the total voting rights at the General Meeting as at the date of issue of this Report, including information on any changes subsequent to the issue of the SECO/WARWICK Group's interim report for Q1 2019

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the issue date of the Q1 2019 report, that is May 15th 2019

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

The data is based on notifications received from the shareholders.

Table: Shareholders holding – directly or indirectly through subsidiaries – 5% or more of the total voting rights at the General Meeting as at the issue date of the H1 2019 report, that is September 11th 2019

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights	% of total voting rights
SW Holding	3,387,139	32.89%	3,387,139	32.89%
Spruce Holding Limited Liability Company (USA)	1,123,337	10.91%	1,123,337	10.91%
Aviva Otwarty Fundusz Emerytalny Aviva Santander	1,046,573	10.16%	1,046,573	10.16%
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Metlife OFE	577,470	5.61%	577,470	5.61%

The data is based on notifications received from the shareholders.

From the issue date of the Q1 2019 report, i.e. May 15th 2019, to the issue date of the H1 2019 report, there were no changes in major holdings of Company shares.

SECO/WARWICK S.A. holds 496,334 treasury shares, representing 4.82% of the share capital. The Company does not exercise voting rights in respect of its treasury shares.

2.6. SECO/WARWICK shares held by members of the Management Board and Supervisory Board as at the date of issue of this Report, including information on any changes subsequent to the issue date of the Q1 2019 report

Table: Members of the Company's Management Board and Supervisory Board holding SECO/WARWICK S.A. shares as at the date of issue of the Q1 2019 and H1 2019 reports.

	15.05.2019				11.09.2019			
	Stan posiadanych akcji S/W S.A.	Udział w kapitale zakładowym	Udział w ogólnej liczbie głosów	Zmniejszenie/ Zwiększenie	Stan posiadanych akcji S/W S.A.	Udział w kapitale zakładowym	Udział w ogólnej liczbie głosów	łącznie wartość nominalna akcji (PLN)
Zarząd								
Paweł Wyrzykowski(1)	307 058	2,98%	2,98%	-	-	-	-	-
Sławomir Woźniak	21 506	0,21%	0,21%	-	21 506	0,21%	0,21%	4 301
Jarosław Talerzak(2)	-	-	-	-	31 141	0,30%	0,30%	6 228
Bartosz Klinowski	84 981	0,83%	0,83%	-	84 981	0,83%	0,83%	16 996
Earl Good	-	-	-	-	-	-	-	-
Piotr Walasek(3)	21 435	0,21%	0,21%	-	21 435	0,21%	0,21%	4 287
Rada Nadzorcza								
Andrzej Zawistowski	65 000	0,63%	0,63%	-	65 000	0,63%	0,63%	13 000

Jeffrey Boswell	9 776	0,09%	0,09%	-	9 776	0,09%	0,09%	1 955
Henryk Pilarski	10	0,0001%	0,0001%	-	10	0,0001%	0,0001%	2
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
Razem	509 766	2,27%	2,27%	-	233 849	2,27%	2,27%	46 770

	15.05.2019				11.09.2019			
	Stan posiadanych akcji S/W S.A.	Udział w kapitale zakładowym	Udział w ogólnej liczbie głosów	Zmniejszenie/ Zwiększenie	Stan posiadanych akcji S/W S.A.	Udział w kapitale zakładowym	Udział w ogólnej liczbie głosów	Łączna wartość nominalna akcji (PLN)
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Jeffrey Boswell	9 776	0,09%	0,09%	-	9 776	0,09%	0,09%	1 955
Henryk Pilarski	10	0,0001%	0,0001%	-	10	0,0001%	0,0001%	2
Marcin Murawski	-	-	-	-	-	-	-	-
Jacek Tucharz	-	-	-	-	-	-	-	-
Razem	509 766	2,27%	2,27%	-	233 849	2,27%	2,27%	46 770

- (1) As at the date of issue of this Report, Mr Paweł Wyrzykowski was not a member of the Company's Management Board.
- (2) Mr Jarosław Talerzak has been Vice President of the Management Board since June 5th 2019.
- (3) Mr Piotr Walasek has been Vice President of the Management Board since June 5th 2019. As at May 15th 2019, he served as a commercial proxy.

Item	May 15 2019	Sep 11 2019
Number of shares	10,298,554	10,298,554
Par value per share	0.20	0.20
Share capital	2,059,710.80	2,059,710.80

In the reporting period and until the date of issue of this Report, members of SECO/WARWICK S.A.'s Management and Supervisory Boards did not enter into any other transactions that would involve Company shares.

In Current Report No. 14/2019, the Company announced the execution, on August 7th 2019, of an annex to the share lock-up agreement of November 8th 2016, announced by the Company in Current Report No. 31/2016.

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

2.7. Material court, arbitration and administrative proceedings

In H1 2019, neither the Company nor any other SECO/WARWICK Group company was party (whether jointly or individually) to any material court, arbitration or administrative proceedings.

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

In the first half of 2019, SECO/WARWICK S.A. and its subsidiaries did not enter into any non-arm's length transactions with related parties.

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

In H1 2019, SECO/WARWICK S.A. and its subsidiaries did not provide any loan sureties or guarantees the amount of which would be material.

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

On May 24th 2009, the Company announced in Current Report No. 07/2019 that Mr Paweł Wyrzykowski decided not to stand for re-election to the Management Board for the next term of office.

On June 5th 2019, in Current Report No. 11/2019 the Company announced the appointment of Mr Sławomir Woźniak as President of the Management Board, Mr Jarosław Talerzak as Vice President of the Management Board, and Mr Bartosz Klinowski, Mr Piotr Walasek and Mr Earl Good to serve as Management Board members.

Pursuant to Resolution No. 19, the General Meeting decided to distribute a portion of the net profit of PLN 4,018,910.20 (four million, eighteen thousand, nine hundred and ten złoty, twenty grosz) to the Company's shareholders. Dividend per share is PLN 0.41. The dividend record date (D) was July 4th 2019, while the dividend payment date (W) was July 18th 2019.

In H1 2019, no events occurred in the SECO/WARWICK Group's business which in the Company's opinion would be material for the assessment of its personnel, assets, financial condition and financial result or changes therein, or for the assessment of the Company's ability to meet its obligations.

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

2.11. Factors which in the Company's opinion will affect the Group's performance in H2 2018 or in a longer term

SECO/WARWICK S.A. Incentive Scheme

Adoption of the Incentive Scheme for members of the SECO/WARWICK Group's management staff for 2018–2020

On April 11th 2018, an Extraordinary General Meeting of SECO/WARWICK S.A. passed Resolution No. 20 to approve the 2018–2020 Incentive Scheme, approve the Rules of the Incentive Scheme, and allocate the Company's treasury shares for the purposes of the Incentive Scheme. The Meeting also passed Resolution No. 21 approving the list of participants of the 2018–2020 Incentive Scheme. The Incentive Scheme beneficiaries

are the Group's senior management staff. The Scheme covers a total of 494,000 shares. The annual equity volumes for the years 2018, 2019, 2020 and the assessment parameter, which is determined by the Company's Supervisory Board and approved by the General Meeting, have been established for each beneficiary of the Scheme. The assessment parameter is closely linked to the net profit of the SECO/WARWICK Group, separate net profit or operating profit of an operating segment. After the end of the financial year, the Company's Supervisory Board and General Meeting determine and approve the achievement of objectives by individual beneficiaries of the Scheme.

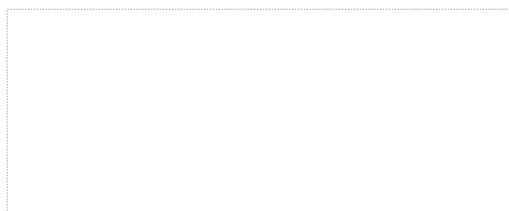
On June 5th 2019, the Supervisory Board passed Resolution No. 01/2019 approving the results of the review of the annual objectives of the 2018 Incentive Scheme, indicating the proposed number of shares to be acquired by each of the beneficiaries of the Scheme. On the same day, the Annual General Meeting approved the resolution passed by the Supervisory Board and decided to expand the list of positions eligible for participation in the Scheme and to amend the Rules of Incentive Scheme as previously proposed by the Supervisory Board.

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

As part of its operating and financial activities, the Group 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 Group 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 Group's financial risk management policies 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.

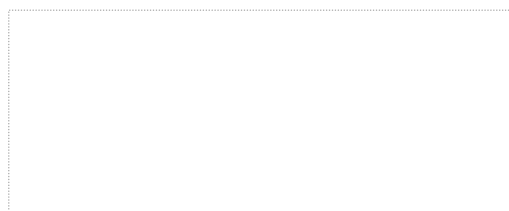
Date: September 11th 2019

President of the Management Board



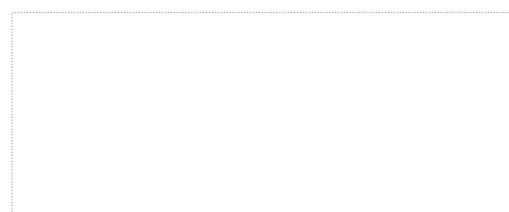
Sławomir Woźniak

Vice President of the Management Board



Jarosław Talerzak

Member of the Management Board



Bartosz Klinowski

Member of the Management Board



Earl Good

Member of the Management Board



Piotr Walasek