SECO ANNUAL REPORT 2021

E-MARKET SDIR CERTIFIED

ANNUAL REPORT

AT DECEMBER 31, 2021

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,073,934.74
VAT No. 00325250512
Arezzo Companies' Registration No. 4196

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Letter to the Shareholders

Dear Shareholders,

2021 was a difficult year, but it was also made incredibly rewarding by the results we achieved.

This year, we have witnessed digitalization transform consumer and business habits at a speed that would have seemed impossible just a few years ago.

We are on the cusp of a digital revolution. New needs and new, sizeable markets are emerging, thanks in part to technologies such as edge computing, artificial intelligence (AI), and 5G. An increasing number of devices are becoming "intelligent", capable of generating data and performing actions with the help of miniaturized computers, human-machine interfaces, data analytics, and machine learning. Over time, these new developments will help to improve the efficiency of industrial processes, safety, and our overall quality of life.

We have been presented with an incredible opportunity for growth: in just a few years' time, the market will exceed Euro 500 billion in value and over 10 billion devices will be connected and linked to AI algorithms.

2021 proved to be an eventful yet satisfying year for SECO, and we continued to accelerate our strategic development, expand, and grow our presence abroad. In 2021, we reported revenues of Euro 112 million, up 47.5% on 2020, with even greater margin growth. Despite difficulties linked to the pandemic and other factors beyond our control (including the component shortage), the results we achieved this past year are proof that we are moving in the right direction, thanks in part to the important strategic decisions we made in 2021.

In May, we successfully listed on the Italian Stock Exchange (STAR segment), raising approximately Euro 100 million and taking steps towards achieving our long-term goal of becoming a global industry leader even more quickly than we had anticipated.

SECO Mind draws on the expertise it has acquired in IoT, data orchestration, and data analytics in recent years to develop software solutions for the Internet of Things (IoT) using AI. At SECO MIND, a team of over 100 highly specialized engineers has used its expertise to create CLEA, an innovative IoT and AI platform that allows customers to extract data from devices and turn their enormous potential into something concrete. CLEA users can now analyze data in real time to increase profit margins and launch new business models based on value-added services.

We have also continued to make investments that will allow us to take full advantage of opportunities for growth in the coming years. During 2021, we strengthened our industrial infrastructure and our presence in Europe (in Germany, Austria, and Switzerland, in particular) by acquiring the Garz & Fricke Group. We have also improved our ability to penetrate the US market, as well as our expertise in developing AI algorithms by acquiring ORO Networks (now SECO Mind USA). In addition, we have continued to invest in industrial processes at all of our production facilities, guided by the concept of lean production and the make-to-stock strategy, so that we can provide our customers with even quicker delivery times.

Today, more than ever before, business sustainability is closely tied to the impact we have on the planet and the well-being of current and future generations. That is why, in 2021, we are continuing to undertake a series of initiatives to further reduce our impact on the environment, people, and local communities.

The process began at our Arezzo and Tregozzano plants, which have been powered exclusively by renewable energy since 2021. We intend to extend the practice to all of our facilities around the globe while also redesigning our production processes so that we can achieve net-zero carbon dioxide emissions (carbon neutrality).

Over 450 people joined SECO in 2021. We continued to strengthen our senior management team and roll out performance data collection and reporting systems so that we can monitor business performance in real time and introduce performance-based reward schemes for our employees.

Last but not least, we have drafted SECO's very first Non-Financial Statement, which follows the Sustainability Reports we published voluntarily in 2019 and 2020. By doing so, we will be able to express our commitment to ESG topics even more comprehensively and transparently, with the intention of making a more decisive contribution.

With a portfolio that has grown by over 100 percentage points since last year, we are starting 2022 stronger than ever before, determined to accelerate our growth and develop AI algorithms using the CLEA platform across several vertical sectors. This year, we will also be focusing on generating high value-added solutions for our customers to improve our service levels.

It is truly thrilling to be a part of this project and we would like to take the opportunity to thank all of our customers, shareholders, and stakeholders for their unwavering support, and also our employees, who channel their creativity, passion, and daily commitment into making SECO the successful, internationally recognized company that it is today.

The future holds countless exciting opportunities, and we are doing everything in our power to be ready for them; an amazing digital revolution has just begun!

Daniele Conti and Massimo Mauri

(Chairperson & Chief Executive Officer)

Corporate boards

Board of Directors

Office held until the approval of the 2023 annual accounts

Chairperson	Daniele Conti
Chief Executive Officer	Massimo Mauri
Directors	Claudio Catania
	Emanuela Sala
	Luca Tufarelli
	Luciano Lomarini
	Michele Secciani
	Elisa Crotti
	Giovanna Mariani
	Diva Tommei

Board of Statutory Auditors

Office held until the approval of the 2023 annual accounts

Statutory Auditors	Pierpaolo Guzzo (Presidente)
	Gino Faralli
	Fabio Rossi
Alternate Auditors	Marco Badiali
	Maurizio Baldassarini

Executive Officer for Financial Reporting

Lorenzo Mazzini

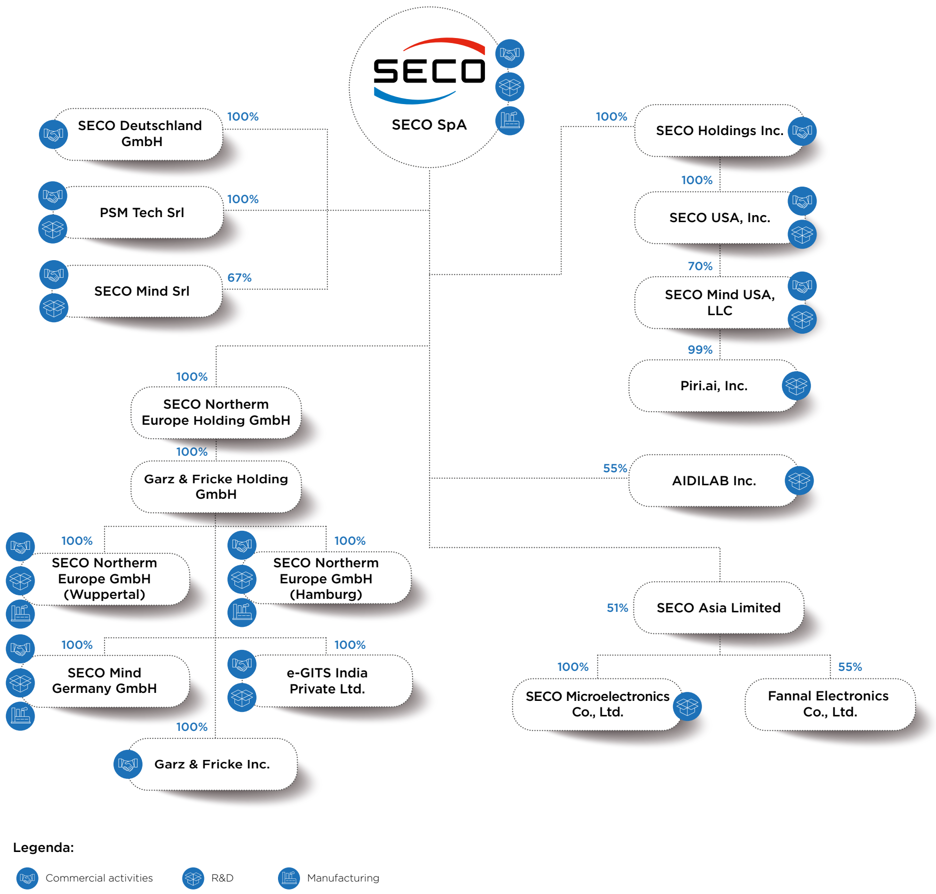
Independent Audit Firm

Deloitte & Touche S.p.A.

Office held until the approval of the 2029 annual accounts

The group and its operations

The SECO Group (hereinafter also referred to as the "Group" or "SECO") consists of the parent company SECO S.p.A., hereinafter also referred to as the "Company" or "Parent Company", and its subsidiaries, as presented below:



The Company's registered office is located in Arezzo (AR), via Achille Grandi 20.

SECO is a high-tech group engaged in computer miniaturization and the Internet of Things (IoT). In a rapidly evolving and growing marketplace, the Group is renowned for its innovative and customized solutions.

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1| Directors' report

1.1| Market Overview

As digital technologies become ubiquitous, we are entering an era of interconnected devices, analytics, and artificial intelligence. The increasing number of intelligent devices – which can process data at the source (edge computing) and are connected to the cloud – is opening the door to new business models, creating major development opportunities, and helping to improve people's overall safety and quality of life.

The evolution of technologies such as the Cloud, Big Data and Analytics, Artificial Intelligence and the Internet of Things has accelerated the digital transformation of business processes worldwide, and the way in which companies approach the creation, provision and use of ICT products and services.

In the current environment, speed of execution and time to market are key aspects not only for competitivity, but also for a business's survival. We are witnessing across the globe a strong drive towards digitalization.

The COVID-19 pandemic has certainly sped up this trend, bringing digitalization to many sectors and environments of daily life which historically were far removed from this world. This trend has also advanced significantly in the industrial environment, where businesses across all sectors increasingly require more innovation, digitalization and interconnection among their products.

The many relaunch and investment incentives programs underway in numerous countries shall contribute to further speeding up these trends, ensuring growth of the connected devices and IoT market comfortably in the double-digits, as indicated by all of the most trusted sector studies.

1.2| Operational overview

In this environment, SECO's revenues in 2021 were up over 40% on 2020, with growth rates further accelerating to comfortably in the double-digits - as were returned in 2019 and 2020. This result has been largely made possible by significant organic growth, generated through the new and legacy customer base, in addition to the launch in February 2021 of the CLEA platform.

An as-a-service software solution that integrates IoT, data orchestration and Artificial Intelligence capabilities, CLEA extracts data from physical devices in the field, transfers it to the cloud, aggregates it with data from other devices, and analyzes it in real time through customizable artificial intelligence algorithms.

Through CLEA, SECO supports its customers in optimizing their cost structure (through features such as predictive maintenance or remote device management) and in the launch of new business models, for the use and benefit of end users, based on recurring and value-added services, in addition to apps developed in-house or with the support of SECO.

CLEA was launched as part of SECO's long-standing strategy to grow customer value creation through a wide range of integrated and customized solutions based on micro-computers, human-machine interfaces and software platforms: IoT-ready solutions that are increasingly interconnected and able to transfer high added-value information for the customer through artificial intelligence and cloud services. These solutions are successfully deployed in numerous verticals such as the Fitness, Biomedical, Industrial Automation, Vending, Entertainment and Transportation sectors, besides many more.

Building on its investment and development strategy and its role as a key IoT sector player, the Group completed the following acquisition-led growth transactions in 2021:

- In June, the acquisition, through SECO Mind USA LLC, of the IoT-AI business unit of ORO Networks LLC and Piri.ai INC
- In October, the acquisition of the Garz & Fricke GmbH Group (on January 1, 2022 renamed "SECO Mind Europe GmbH")

Please refer to subsequent sections for the reasoning underlying these transactions.

1.3| Research and Development and Technological Innovation

SECO again in 2021 was highly focused on ensuring significant levels of innovation, integration and added value for its customer's solutions. Specifically, 46 new products were launched, of which 20 customized for the specific needs of customers in the Biomedical, Fitness, Vending, Industrial and Digital Signage sectors.

SECO's main objective in fact is to anticipate the needs of customers, utilizing frontier technologies and supporting them in the digital transition of their business, while adding value to their solutions.

In addition, the constant push for innovation by all the players in a given sector can quickly render a competitive advantage obsolete. For this reason, SECO every year dedicates significant resources to research and development, with 10% of revenues in fact allocated to this area in 2021. In addition, approx. one-third of SECO personnel are employed, in 9 countries across the world, in the design of new products and of off-the-shelf solutions to be sold on the market, in addition to the co-development and co-engineering of customized products, working hand-in-hand with the customer. Specifically, about 140 SECO personnel are exclusively focused on developing artificial intelligence-based software solutions.

The R&D department is responsible for developing and designing technological solutions based on integrated systems, standard and custom modules and IoT and AI software solutions for SECO's customers and target markets. Research and development is a key aspect of SECO's business model and is carried out both in-house and through partnerships with world-class technology enterprises and research institutes and university hubs.

1.4| Expanded production capacity

The Group continued to optimize production processes 2021, to ensure ever improving production streamlining and quality standards.

System integration is carried out at the Arezzo headquarters which covers approx. 9,000 square meters, built in 2019 according to the highest innovation and energy efficiency standards. This industrial complex hosts R&D and design and testing and logistics. The facility is designed on the basis of lean production principles, continuous improvement actions and major machinery and industrial equipment capex (3D printers, three-dimensional X-ray inspection machines, clean room, anechoic chamber), bringing on-stream extensive savings as cutting average production times, while raising quality standards and the level of service offered to customers further.

In addition, the acquisition of the Garz & Fricke Group has enabled SECO to expand its production capacity with plants in Hamburg and Wuppertal. With this transaction, SECO now has 5 production globally (2 in Italy, 2 in Germany, 1 in China).

The Group began outsourcing certain hardware manufacturing activities to certified manufacturers. This was undertaken to maintain high levels of efficiency and flexibility, optimizing in-house production flows and mix, while continuing to directly control all phases of production with greater value for the end customer.

1.5| Significant events

In May 2021, the Group successfully completed the procedure for the listing of its shares on the Euronext STAR market, organized and managed by Borsa Italiana S.p.A.. The listing has enabled the company to raise approximately Euro 100 million in share capital increases, which will allow the company to finalize acquisitions and accelerate its expansion, thus increasing the Group's international presence and technology solutions portfolio.

The institutional placement of SECO shares attracted significant interest from leading investors in Italy, the UK, Germany, the US and the rest of Europe. During this activity, the Group received an order for the purchase of approximately 7.5 million shares, equivalent to 7% of SECO's post-listing capital, from Olivetti SpA, a Telecom Italia Group company. SECO decided to allocate this order in full and, together with Olivetti, initiated a dialogue which was followed, in August, by an industrial partnership agreement focused, in particular, on the development and diffusion of innovative hardware and software solutions for small and medium sized enterprises, industrial automation, smart cities and many other applications.

June saw completion of the acquisition of the business unit of Oro Networks (acquired by SECO Mind USA), a company based in Silicon Valley, a business unit that also includes the controlling interest in the Indian company Piri.ai.

SECO Mind USA builds artificial intelligence solutions that it markets as Software-as-a-Service. These solutions allow you to quickly connect and manage any hardware in the cloud for the purpose of smart control, monitoring and visualization of information with high added value through techniques of machine learning, deep learning, predictive analytics and data mining. In this way, every device can be turned into an intelligent endpoint managed through the cloud and able to apply custom models, based on artificial intelligence algorithms, to a dataset extracted from the field.

This transaction represents an important lever for SECO to broaden its portfolio of solutions in the field of Artificial Intelligence, significantly increasing the weight of software in the Group's offer, acquiring highly specialized skills to customize its AI algorithms and at the same time ensuring geographical proximity to its American customers.

In October, the Group successfully concluded the acquisition of the entire share capital of AF HMI Holding Gmbh and Garz & Fricke Holding Gmbh (hereinafter also referred to jointly as Garz & Fricke Group or G&F), companies based in Hamburg, Germany, that develop and implement hardware and software solutions for the Industrial Internet of Things (IoT). From January 1, 2022, Af HMI Holding Gmbh will operate under the name SECO Northern Europe Holding GmbH (hereinafter also referred to as "SECO Northern Europe").

With SECO Northern Europe, SECO has further established itself as a leading player in IoT-AI and edge computing solutions on a European and global level, becoming the largest European listed player in the industry, and number 3 worldwide.

In addition, through this deal SECO can rely on 200,000 new devices produced annually through SECO Northern Europe (of which about 65,000 already have IoT connectivity) to further accelerate the deployment of CLEA, the IoT-AI platform developed by SECO, in German-speaking countries. In addition, with the acquisition of SECO Northern Europe, SECO can integrate payment system solutions developed by Garz & Fricke with CLEA, further strengthening its product portfolio and IoT-AI capabilities.

Finally, the merger of Aidilab Srl and Hopenly Srl within Ispirata Srl led to the creation of SECO Mind Srl (the new name of Ispirata Srl). This transaction was completed in July, with accounting effects backdated to January 1, 2021, with the aim of maximizing the synergies arising from the interaction and sharing of technological know-how between the three R&D teams dedicated to the development of CLEA, now united under a single structure.

1.6| Operating Performance

December 31, 2021 vs December 31, 2020

Despite the continued global repercussions from the COVID-19 pandemic, in 2021 revenues rose 47.5% on the previous year (from Euro 76,143 thousand to Euro 112,293 thousand). Revenue growth stems from: (i) organic growth of Euro 21,478 thousand from increased Group sales volumes; (ii) M&A growth of Euro 14,673 thousand, mainly due to the acquisitions of Seco Mind USA (Euro 1,970 thousand), Piri.ai, Inc (Euro 325 thousand) and the Garz & Fricke Group (Euro 12,378 thousand), which took place in 2021.

Other revenues and income rose from Euro 3,356 thousand in 2020 to Euro 4,045 thousand in 2021, an increase of Euro 689 thousand (+21%). This increase is related mainly to the combined effect of (i) the recognition in 2021 of the operating grant related to the tax credit for research and development incurred in 2020-2021, recognized as per IAS 20 following the satisfaction of the applicable regulatory requirements, totaling Euro 1,845 thousand (in 2020 this grant was recognized for the years 2015-2019 for a total amount of Euro 2,530 thousand); (ii) the recognition in 2021 of the capital grant with regards to the tax credit for Industry 4.0 of Euro 201 thousand (Euro 124 in 2020) and (iii) the more than 100% increase in other revenues and income of Euro 1,365 thousand and Euro 484 thousand respectively for the years 2021 and 2020, due to the extension of the consolidation scope, in addition to the greater business volumes in the year.

Service costs increased Euro 6,130 thousand (+92.5%), from Euro 6,626 thousand in 2020 to Euro 12,756 thousand in 2021, mainly as a combined effect of: (i) increase in administrative costs and for utilities of Euro 518 thousand, (ii) consultancy costs of Euro 3,159 thousand, mainly concerning M&A's (iii) transport expenses of Euro 1,390 thousand, relating to the higher business volumes; (iv) the increase in hire and operating lease costs for Euro 560 thousand, (v) insurance costs for Euro 604 thousand.

Personnel costs increased from Euro 16,091 thousand in 2020 to Euro 23,466 thousand in 2021, an increase of Euro 7,375 thousand (+45.8%), mainly due to the greater average workforce (increasing from 443 in 2020 to 593 in 2021), due mainly to (i) the ongoing process of hiring qualified personnel for research and development projects, in addition to the selection of new managers for a range of Group functional areas, in addition to (ii) the acquisitions of Seco Mind Usa, Piri.ai, Inc and of the Garz&Fricke Group.

Amortization and depreciation increased from Euro 5,507 thousand in 2020 to Euro 9,151 thousand in 2021, increasing Euro 3,644 thousand (+66.2%). This increase is due to (i) capex in 2021, mainly for the purchase of new plant and machinery and other investments in developing new technologies and products, (ii) the cumulative effect of capex in 2020, (iii) amortization and depreciation from the new companies acquired in 2021.

The doubtful debt provision and the provision for risks increased by Euro 41 thousand on 2020, mainly due to the Group's careful risk management.

Other operating costs decreased from Euro 3,809 thousand in 2020 to Euro 2,181 thousand in 2021, overall declining by Euro 1,628 thousand (-42.7%), mainly due to: (i) a reduction of Euro 416 thousand in the doubtful debt provision (in 2021, no significant doubtful debts were recognized, differing from the year to December 31, 2020); (ii) reduction of Euro 610 thousand for directors' remuneration and other charges.

Financial management, including the effect of financial income, financial charges and exchange gains/(losses), reports a net charge of Euro 1,957 thousand for 2021, increasing Euro 784 thousand on 2020, mainly due to the financial charges deriving from the Group's commitments to the lending banks.

As a result of that outlined above, the net profit rose 18.7% on 2020, from Euro 5,476 thousand in 2020 to Euro 6,501 thousand in 2021.

1.7| Balance Sheet Overview

Reference should be made to the balance sheet in this regard. The main changes at December 31, 2021 were as follows.

December 31, 2021 vs December 31, 2020

Non-current assets increased from Euro 36,607 thousand at December 31, 2020 to Euro 236,430 thousand at December 31, 2021, increasing Euro 199,823 thousand (>100%), mainly due to: (i) increase in "Goodwill" of Euro 141,418 thousand, mainly due to the acquisition of the business unit by Seco Mind Usa (Euro 7,910 thousand), the acquisition of the Garz & Fricke Group (Euro 133,509 thousand); (ii) the increase in "Intangible assets" for Euro 43,371 thousand, mainly as a combined effect of investment, the development of new technologies and products, net of the relative amortization for Euro 6,214 thousand, the acquisition of Seco Mind Usa, Piri.ai and of the Garz & Fricke Group (totaling Euro 6,244 thousand).

Current assets increased from Euro 81,760 thousand at December 31, 2020 to Euro 167,070 thousand at December 31, 2021, increasing Euro 85,310 thousand (> 100%). In particular, the main changes concerned: (i) "Inventories", rising Euro 30,268 thousand on 2020, mainly due to the increase in procurement to support the Group's growing business volumes and the effect from the acquisition of the Garz & Fricke Group; (ii) "Trade receivables", increasing Euro 21,667 thousand on the previous year; (iii) "Cash and cash equivalents", increasing Euro 35,147 thousand.

Total non-current liabilities increased from Euro 30,994 thousand at December 31, 2020 to Euro 161,482 thousand at December 31, 2021, an increase of Euro 130,488 thousand (>100%). In particular, the main changes concern: (i) the increase in non-current financial payables for Euro 111,996 thousand, as a combined effect of the drawdown of new loans in 2021 for Euro 124,300 thousand to fund the acquisition of the Garz & Fricke Group, whose non-current portion totaled Euro 116,000 thousand and the recognition to current liabilities of the short-term portion of the loans signed prior to 2021; (ii) the increase of Euro 11,986 thousand of deferred tax liabilities, mainly related to the deferred tax recognized on the customer list deriving from the Garz & Fricke Group acquisition, amounting to Euro 9,801 thousand at December 31, 2021.

Current liabilities increased from Euro 36,409 thousand at December 31, 2020 to Euro 79,015 thousand at December 31, 2021, an increase of Euro 42,606 thousand (>100%), mainly due to: (i) the increase of Euro 5,034 thousand in the current portion of non-current financial payables, of which Euro 4,000 thousand concerning the new loan signed in 2021; (ii) the increase of Euro 24,660 in trade payables, due to the greater business volumes in 2021, in addition to the extension of the consolidation scope and (iii) the increase of Euro 6,901 thousand of "Other current payables", related mainly to (i) other payables concerning the exit bonus deriving from the acquisition of the Garz & Fricke Group for Euro 3,161 thousand and (ii) "Payables to social security institutions and personnel" for Euro 2,745 thousand, in relation to the increased workforce, which rose from 443 at December 31, 2020 to 593 at December 31, 2021.

1.8| Financial Information

The Group's cash flow statement is illustrated below:

(in Euro thousands)	2021	2020
Cash and cash equivalents at the beginning of the year	**23,678**	**16,598**
Cash flow from operating activities (A)	13,613	10,206
Cash flow from investing activities (B)	(143,809)	(13,466)
Cash flow from financing activities (C)	164,720	10,771
Net change in cash and cash equivalents (A + B + C)	**34,523**	**7,511**
Translation differences	623	(431)
Cash and cash equivalents at the end of the year	**58,825**	**23,678**

December 31, 2021 vs December 31, 2020

At December 31, 2021, operating activities generated cash of Euro 13,613 thousand, increasing on the previous year by Euro 3,407 thousand. This increase is mainly due to the combined effect of the following factors: (i) increase in cash flows before net working capital changes for Euro 6,322 thousand, (ii) the absorption of liquidity relating to the increase in trade receivables for Euro 20,267 thousand, (iii) the absorption of liquidity with regards to the increase in inventories for Euro 11,338 thousand, (iv) the increase in tax payables and receivables for Euro 8,234 thousand, (v) the increase in liquidity with regards to the increased trade receivables for Euro 22,713 thousand.

Investing activities absorbed cash of Euro 143,809 thousand, increasing on the previous year by Euro 130,343 thousand, mainly as an effect of: (i) M&A's which absorbed liquidity of Euro 128,600 thousand (ii) the absorption of liquidity from investments in intangible assets for Euro 11,607 thousand.

Financial management generated cash of Euro 164,720 thousand, increasing compared to a cash generation in the previous year of Euro 153,949 thousand. This increase is mainly due to the generation of liquidity from the drawdown of new loans for Euro 124,300 thousand in 2021, compared to Euro 16,500 thousand in 2020, in addition to the listing on the STAR segment of the Italian Stock Exchange.

As a result of that outlined above, cash and cash equivalents at December 31, 2021 increased by Euro 35,147 thousand (>100%) compared to December 31, 2020, respectively increasing from Euro 23,678 thousand to Euro 58,825 thousand.

1.9| Alternative performance measures

The following tables present the operating and financial measures used by the Group to monitor performance, in addition to the measurement methods.

In order to better understand the Group's operating and financial performance, the Directors have identified a number of alternative performance measures ("APM" or "Alternative Performance Measures").

The following table presents the key alternative performance measures for the operating results and balance sheet:

(in Euro thousands)	2021	2020	Change	Change %
EBITDA	18,066	12,070	5,996	49.68%
Adjusted EBITDA	25,295	15,919	9,376	58.90%
Net financial debt	(109,473)	(17,843)	(91,630)	513.53%
Adjusted net financial debt	(97,530)	(11,446)	(86,084)	752.08%

EBITDA – This measure is used by the Group as a financial target and is useful for assessing operating performance. EBITDA is calculated as profit or loss for the year before income taxes, financial income and charges, and amortization and depreciation.

(in Euro thousands)	2021	2020	Change	Change %
Total revenues and operating income	116,338	79,499	36,839	46.34%
Costs for services, goods and other costs*	(74,806)	(51,338)	(23,468)	45.71%
Personnel costs	(23,466)	(16,091)	(7,375)	45.83%
EBITDA	**18,066**	**12,070**	**5,996**	**49.68%**

(*) Costs for services, goods and other operating costs include the following income statement items: costs of raw, ancillary, consumable materials and goods; changes to inventory; service costs; the doubtful debt provision and provisions for risks; other operating costs; exchange gains and losses.

The increase in the year (Euro 5,996 thousand, +49.68%) is due to the improved primary margin (Euro 17,124 thousand, +47.6%), i.e. the difference between revenues and the sum of costs for raw materials, ancillaries, consumables and goods, the change in inventories, partially offset by the increase in personnel costs (Euro 7,375 thousand, +45.8%), due to the greater number of employees, mainly in view of: (i) the process of hiring qualified personnel for Research and Development projects, (ii) the change in the consolidation scope following the acquisitions of Seco Mind Usa, Piri.ai. Inc and the Garz & Fricke Group in 2021.

***Adjusted* EBITDA** – *Adjusted* EBITDA is a measure to assess the Group's operating performance. *Adjusted* EBITDA is calculated as the profit before income taxes, financial charges and income, amortization and depreciation, exchange gains or losses, extraordinary/ non-recurring expenses.

With regards to *Adjusted* EBITDA, the Group considers that the adjustment (which defines *Adjusted* EBITDA) was made to represent the Group's operating performance, net of effects of a number of events and transactions.

(in Euro thousands)	2021	2020	Change	Change %
EBITDA	**18,066**	**12,070**	**5,996**	**49.68%**
Exchange gains/(losses)	611	712	(101)	-14.22%
Income/charges from non-core business activities	5,911	2,839	3,072	108.22%
Non-recurring income/charges from core business activities	707	298	409	137.23%
***Adjusted* EBITDA**	**25,295**	**15,919**	**9,376**	**58.90%**

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The Group reports 2021 *Adjusted* EBITDA of Euro 25,295 thousand, increasing 58.90% on 2020.

The income/charges from non-core business activities of Euro 5,911 thousand is principally the result of Euro 2,344 thousand (Euro 642 thousand in 2020) of costs related to corporate merger and acquisition transactions and Euro 2,807 thousand (Euro 1,623 thousand in 2020) concerning the actuarial valuation of the Stock Option plan granted to a number of Group managers.

The non-recurring income/charges from core business activities of Euro 707 thousand concerns for Euro 442 thousand the management bonus recognized on the results achieved in 2020, Euro 145 thousand concerning settlement charges for the closure of a receivable with a Group customer (Euro 574 thousand in 2020) and Euro 82 thousand of costs related to the ongoing health emergency (Euro 84 thousand in 2020).

Net financial debt - This measure indicates the Group's financial debt, net of cash and cash equivalents.

The following pages present a breakdown of the net financial debt at December 31, 2021, compared to December 31, 2020, calculated according to Consob Communication DEM/6064293 of July 28, 2006 and subsequent amendments and supplements (Consob Communication No. 0092543 of December 3, 2015, which incorporates the ESMA/2015/1415 guidelines) and in compliance with the ESMA/2021/32/382/1138 recommendations.

At December 31, 2021, the Group net financial debt was Euro 109,473 thousand, compared to Euro 17,843 thousand at December 31, 2020.

(in Euro thousands)	31/12/2021	31/12/2020	Change	Changes%
A. Cash	21	14	7	48.51%
B. Cash equivalents	58,804	23,664	35,140	148.49%
C. Other current financial assets	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	**58,825**	**23,678**	**35,147**	**148.44%**
E. Current financial debt	(13,053)	(9,077)	(3,976)	43.81%
F. Current portion of the non-current debt	(10,197)	(5,163)	(5,034)	97.51%
G. Current financial debt (E)+(F)	**(23,251)**	**(14,240)**	**(9,011)**	**63.28%**
H Net current financial debt (G) + (D)	**35,574**	**9,438**	**26,136**	**276.92%**
I. Non-current financial debt	(145,047)	(27,281)	(117,766)	431.68%
J. Debt instruments	0	0	0	0.00%
K. Trade payables and other non-current payables	0	0	0	0.00%
L Non-current financial debt (I) + (J) + (K)	**(145,047)**	**(27,281)**	**(117,766)**	**431.68%**
M. Total financial debt (H) + (L)	**(109,473)**	**(17,843)**	**(91,630)**	**513.53%**

The net financial debt overall increased by Euro 91,630 thousand, principally as a combined effect of the drawdown of the new loans in the year for the Group's corporate transactions, in execution of SECO's global growth strategy and the increase in cash and cash equivalents following the listing on the STAR segment of the Italian Stock Exchange.

***Adjusted* Net financial debt** – The *Adjusted* net financial debt indicates the Group's capacity to meet its financial obligations.

The *Adjusted* net financial debt is obtained by adjusting the Net financial debt calculated according to Consob Communication DEM/6064293 of July 28, 2006 and in compliance with the ESMA/2013/319 recommendations, with the VAT receivable, the current and non-current financial receivables deriving from leases and recognized under IFRS 16 and the effect of the recognition of the MTM of the derivatives.

The *Adjusted* net financial debt was Euro 97,530 thousand at December 31, 2021, compared to Euro 11,446 thousand at December 31, 2020. The increase is due, in addition to the effects outlined in the previous paragraph, to the lower VAT receivable at December 31, 2021 compared to the previous year, combined with the effect of the derivative financial instruments.

(in Euro thousands)	31/12/2021	31/12/2020	Change	Change %
Net financial debt	**(109,473)**	**(17,843)**	**(91,630)**	**513.53%**
(+) VAT receivables	2,699	4,666	(1,967)	-42.15%
(-) Current finance lease liabilities	(1,552)	(537)	(1,015)	189.07%
(-) Non-current finance lease liabilities	(6,964)	(1,194)	(5,770)	483.27%
(-) Derivative financial instruments	(728)	0	(728)	0.00%
***Adjusted* net financial debt**	**(97,530)**	**(11,446)**	**(86,083)**	**752.08%**

1.10| Risks and uncertainties

The main risk factors are examined in the Risk Management Policies section of the Explanatory Notes, to which reference should be made for further details. This section outlines the risk related to the general economic environment.

With regards to the development of the pandemic, a gradual recovery of economic activity has emerged both domestically and globally. This has been driven in particular by the successful vaccination campaigns in many countries, in addition to recovering demand across a range of industrial sectors.

At the same time, the supply chain regarding a number of components such as chips and memories used in the production of embedded and digital devices has slowed. Consequently, a global difficulty has emerged in the sourcing of a number of these components due to their scarcity.

The development of these issues globally is outside of the Group's control and the impacts on the financial markets and economic activity may not be forecast.

SECO has not incurred any interruptions to production or in the supply of components, nor significant impacts on Group operations. In particular, these events did not result in the cancellation of orders, with only slight delays in the shipment of some deliveries, originally scheduled for 2021 and completed in the initial weeks of 2022.

We indicate however that the Group has adopted and continues to adopt all necessary measures in the fight against COVID-19 in accordance with the domestic and local rules. In particular, the activities carried out in the Group's offices continued by making the workplace safe, staggering production and breaks wherever possible, separating areas and environments, analyzing incoming temperature and providing employees with protective equipment including sanitizing gel, masks, gloves and goggles. The adoption of these measures had no impact on the Group's internal control system.

Finally, there is uncertainty for many economic activities and high volatility in financial markets globally due to the ongoing events between Russia and Ukraine at the reporting date. While it is not currently possible to determine the duration or evolution of these events, the number of customers and projects and the amount of orders from these areas is not currently significant in terms of SECO's overall business volumes.

The SECO Group in 2021 reported business volumes with Russia of Euro 1,830 thousand and with Ukraine of Euro 81 thousand, accounting for 2% of total revenues.

The Group has for the moment suspended all relations with Russia in full compliance with the sanctions imposed by the European Union. This suspension is not expected to have a significant impact on the Group's future sales performance, given the negligible contribution from Russian Federation sales to Group overall turnover.

1.11| SECO on the stock exchange

In May 2021, the Group successfully completed the procedure for the listing of its shares on the Euronext STAR market, organized and managed by Borsa Italiana S.p.A.. The listing has enabled the company to raise approximately Euro 100 million in share capital increases, which will allow the company to finalize acquisitions and accelerate its expansion, thus increasing the Group's international presence and technology solutions portfolio.

The approval of the Prospectus by the Stock Exchange Regulator (CONSOB), received on April 21, 2021, was followed by the institutional placement activity which ended on April 30, 2021. This activity attracted significant interest in the Group from leading investors in Italy, the United Kingdom, Germany, the United States and the rest of Europe, with total demand exceeding Euro 400 million, or around 2.5 times over-subscribed.

The first day of trading took place on May 5, 2021 with an initial offer price set at Euro 3.7 per share. At December 31, 2021, the share price was Euro 8.95 per share, up more than 140% from the initial offer price and corresponding to a capitalization of approximately Euro 962 million.

1.12| Outlook

The year 2021 saw a major recovery in certain industry sectors in which a number of SECO's major customers operate that were significantly impacted by the pandemic during 2020: these included primarily, the Vending, Fitness, Industrial and Entertainment markets.

In addition, SECO's significant presence in industries with less exposure to economic cycles and systemic shocks (e.g., Medical, Transportation, Aerospace & Defense) has been an additional driver of SECO's organic growth, with revenues in 2021 growing more than 40% overall over 2020.

The strong drive in new customer acquisitions was a further contributor to the growth in 2021, with a significant acceleration in particular in the third and fourth quarters of the year and a major increase in order intake and order backlog levels compared to 2020. The new projects will enter mass production and the major technological and product developments that SECO will introduce from 2022 suggest a continuation, again this year, of the major organic growth generated by the Group.

In particular, major benefits are expected from the further deployment of CLEA, the IoT-AI software platform, launched in 2021, developed to allow customers to process their data in real time, according to a system of customizable, high value-added indicators based on artificial intelligence algorithms.

The positive outlook is further supported by the significant cost and revenue synergies that SECO intends to generate as a result of the M&A's carried out in 2021, now integrated within SECO Northern Europe, SECO Mind Srl and SECO Mind USA.

In terms of climate change, an awareness of the pressing need to take action on environmental trends has prompted the Group to make a commitment that will, in 2022, see us establish a work plan and measurable goals for reducing emissions from our processes. Among the initiatives already undertaken to mitigate the impact of emissions, we highlight, among others, in addition to the use of renewable sources and the installation of photovoltaic panels, the modernization of the company fleet with the gradual replacement of cars in favor of hybrid models. In addition, increasingly aware that environmental impacts are generated throughout the life cycle of the product/service, we have embarked on a path of analysis, with a specific focus on the processes of product and service development, and therefore on the analysis of the evaluation of energy, material and resource input and output flows involving heat and energy production, waste and the estimation of potential effects on the environment.

In conclusion, although considering a surely complicated market environment in view of that outlined above, the competitive position of SECO at end-market level, its technological offerings and further growth opportunities allow us to look at 2022 with confidence and optimism.


Total Users
2500
1.51 Sec
Total Males
2,500
Total Females
4,567
2,315
7,325
Network Activities
User Signup
Converted Sales
Profit Made
January
February
March
April
May
June
July
Link One
Daily active users
App Usage across versions
123k
53k
23k
3k
Top 5
Disbursement
Progress
Marketing
Media
Engagement
Awareness
30%
10%
20%
15%
Settings
Subscription
Auto Renewal

2

2| Consolidated balance sheet and consolidated income statement at december 31, 2021

2.1| Consolidated Balance Sheet

(in Euro thousands)	Note	31/12/2021	31/12/2020
Property, plant and equipment	*1*	16,797	13,272
Intangible assets	*2*	56,367	12,996
Right-of-use	*3*	9,895	1,912
Goodwill	*4*	148,484	7,066
Non-current financial assets	*5*	1,801	246
Deferred tax assets	*6*	2,252	623
Other non-current assets	*7*	834	492
Total non-current assets		**236,430**	**36,607**
Inventories	*8*	61,685	31,417
Trade receivables	*9*	36,696	15,029
Tax receivables	*10*	6,373	9,080
Other receivables	*11*	3,491	2,556
Cash and cash equivalents	*12*	58,825	23,678
Total current assets		**167,070**	**81,760**
TOTAL ASSETS		**403,500**	**118,367**
Share capital		1,074	776
Share premium reserve		118,981	14,781
Reserves		21,192	24,231
Group net profit		4,149	4,038
Total Group equity		**145,396**	**43,826**
Non-controlling interests capital and reserves		15,256	5,700
Non-controlling interests profit		2,351	1,438
Non-controlling interests equity		**17,607**	**7,138**
Total equity	*13*	**163,003**	**50,964**
Employee benefits	*14*	3,065	2,973
Provisions for risks	*15*	729	89
Deferred tax liabilities	*16*	12,029	43
Non-current financial payables	*17*	138,083	26,087
Non-current finance lease liabilities	*18*	6,964	1,194
Other non-current payables	*19*	612	608
Total non-current liabilities		**161,482**	**30,994**
Current financial liabilities	*20*	11,501	8,540
Current portion of non-current financial payables	*21*	10,197	5,163
Current finance lease liabilities	*22*	1,552	537
Trade payables	*23*	39,949	15,289
Other current payables	*24*	12,294	5,393
Tax payables	*25*	3,522	1,487
Total current liabilities		**79,015**	**36,409**
TOTAL EQUITY & LIABILITIES		**403,500**	**118,367**

2.2| Consolidated Income Statement

(in Euro thousands)	Note	2021	2020
Revenues from sales	*26*	112,293	76,143
Other revenue and income	*27*	4,045	3,356
Raw materials, ancillaries, consumables and goods		(71,820)	(44,739)
Change in inventories	*28*	12,618	4,563
Service costs	*29*	(12,757)	(6,626)
Personnel costs	*30*	(23,466)	(16,091)
Amortization & depreciation	*31*	(9,151)	(5,507)
Doubtful debt provision and provision for risks	*32*	(56)	(15)
Other operating costs	*33*	(2,181)	(3,809)
Operating Profit		**9,525**	**7,275**
Financial income		51	11
Financial charges	*34*	(1,397)	(472)
Exchange gains/(losses)		(611)	(712)
Profit before taxes		**7,568**	**6,102**
Income taxes	*35*	(1,068)	(626)
Net profit for the year		**6,500**	**5,476**
Non-controlling interests profit		2,351	1,438
Group profit		**4,149**	**4,038**
Basic earnings per share	*36*	0.06	5.27
Diluted earnings per share	*37*	0.06	5.27

2.3| Consolidated Comprehensive Income Statement

(in Euro thousands)	Note	2021	2020
Net profit for the year		**6,500**	**5,476**
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:		**748**	**(431)**
Translation differences		1,510	(431)
Net gain/(loss) on Cash Flow Hedge		**(762)**	**0**
Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:		(61)	(28)
Discounting employee benefits		(73)	(38)
Tax effect discounting employee benefits		**12**	**10**
Total comprehensive income	**38**	**687**	**(459)**
Non-controlling interests		3,122	1,357
Parent company shareholders		**4,066**	**3,661**
Total comprehensive income		**7,188**	**5,018**

2.4| Consolidated Cash Flow Statement

(in Euro thousands)	31/12/2021	31/12/2020
Net profit for the year	**6,500**	**5,476**
Income taxes	1,068	626
Amortization & depreciation	9,151	5,507
Provisions for risks, receivables and inventories	0	830
Change in employee benefits	31	333
Financial income/(charges)	1,347	461
Exchange gains/(losses)	611	712
Costs for share-based payments	3,182	1,623
Cash flow before working capital changes	**21,890**	**15,568**
Change in trade receivables	(15,412)	4,855
Change in inventories	(15,945)	(4,607)
Change in trade payables	21,495	(1,218)
Other changes in tax receivables and payables	5,420	(2,814)
Other changes in current receivables and payables	(1,542)	306
Other changes in non-current receivables and payables	(381)	(153)
Use of provisions for risks, receivables and inventories	0	(34)
Interest received	51	11
Interest paid	(936)	(472)
Exchange gains/(losses) realized	559	(134)
Income taxes paid	(1,604)	(1,102)
Cash flow from operating activities (A)	**13,613**	**10,206**
(Investments) /Disposals of property, plant and equipment	(2,046)	(1,345)
(Investments) /Disposals of intangible assets	(11,607)	(7,384)
(Investments) /Disposals of financial assets	(1,556)	120
Acquisition of business units net of cash and cash equivalents	(5,805)	0
Acquisition of subsidiaries net of cash and cash equivalents	(122,795)	(4,857)
Cash flow from investing activities (B)	**(143,809)**	**(13,466)**
New loan drawdowns	124,300	16,500
(Repayment) of bank loans	(43,080)	(5,444)
Change in current financial liabilities	815	278
Repayment lease financial liabilities	(752)	(572)
Dividends paid	0	0
Paid-in capital increase	87,227	9
Acquisition of treasury shares	(3,690)	0
Acquisition of shares from minorities	(100)	0
Cash flows from financing activities (C)	**164,720**	**10,771**
Increase (decrease) in cash and cash equivalents (A+B+C)	**34,524**	**7,511**
Cash & cash equivalents at beginning of the year	**23,678**	**16,598**
Translation differences	623	(431)
Cash & cash equivalents at end of the year	**58,825**	**23,678**

2.5| Consolidated Statement of Changes in Equity

(in Euro thousands)	01/01/2021	Share capital increase	Allocation result	Other movements	Acquisition/ incorporation of consolidated companies	Comprehensive Profit/(Loss)	31/12/2021
Share capital	776	298	0	0	0	0	1,074
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	14,781	101,930	0	2,270	0	0	118,981
Other reserves	24,850	0	4,038	(2,754)	(4,410)	(761)	20,962
Translation reserve	(432)	0	0	170	0	719	457
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	(105)	0	0	0	0	(41)	(146)
Group net profit	4,038	0	(4,038)	0	0	4,149	4,149
Group equity	**43,826**	**102,228**	**0**	**(314)**	**(4,410)**	**4,066**	**145,395**
Non-controlling interests capital and reserves	5,701	0	1,438	(309)	7,656	791	15,277
Discounting of employee benefits (non-cont. interests)	(1)	0	0	0	0	(20)	(21)
Non-controlling interests profit	1,438	0	(1,438)	0	0	2,351	2,351
Non-controlling interests equity	**7,138**	**0**	**0**	**(309)**	**7,656**	**3,122**	**17,607**
Total equity	**50,964**	**102,228**	**0**	**(623)**	**3,246**	**7,188**	**163,003**

(in Euro thousands)	01/01/2020	Share capital increase	Allocation result	Other movements	Acquisition/ incorporation of consolidated companies	Comprehensive Profit/(Loss)	31/12/2020
Share capital	763	13	0	0	0	0	776
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	14,785	(4)	0	0	0	0	14,781
Other reserves	18,902	0	5,246	702	0	0	24,850
Translation reserve	(82)	0	0	0	0	(350)	(432)
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	(77)	0	0	(1)	0	(27)	(105)
Group net profit	5,245	0	(5,246)	1	0	4,038	4,038
Group equity	**39,454**	**9**	**0**	**702**	**0**	**3,661**	**43,826**
Non-controlling interests capital and reserves	4,406	0	580	602	194	(81)	5,701
Discounting employee benefits	(1)	0	0	0	0	0	(1)
Non-controlling interests profit	580	0	(580)	0	0	1,438	1,438
Non-controlling interests equity	**4,985**	**0**	**0**	**602**	**194**	**1,357**	**7,138**
Total equity	**44,439**	**9**	**0**	**1,304**	**194**	**5,018**	**50,964**


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3

3| Explanatory notes to the financial statements at december 31, 2021

The publication of the consolidated financial statements as at December 31, 2021 was approved by the Board of Directors on March 21, 2022..

3.1| Accounting standards and basis of preparation

Content and form of the Financial Statements

The consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the provisions issued under Article 9 of Legislative Decree No. 38/2005. IFRS refers to all the revised international accounting standards (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") - previously known as the Standing Interpretations Committee ("SIC").

The accounting policies and principles applied in the preparation of the 2021 consolidated financial statements are in continuity with those of the previous year, since, for the purpose of preparing its consolidated financial statements, the Company has adopted IFRS as of the year ended December 31, 2020, with a transition date of January 1, 2018.

The consolidated financial statements at December 31, 2021 were prepared on the going concern basis. Taking into account the Group's financial strength and operating profitability, the Directors have assessed that there are no significant uncertainties regarding the ability of the companies included in the consolidation to operate as going concerns in the foreseeable future.

The consolidated financial statements at December 31, 2021 consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Statement of changes in Equity, the Consolidated Cash Flow Statement and these Explanatory Notes.

These Financial Statements have been prepared in thousands of Euro - the Parent Company's functional and "Reporting" currency - in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". This could produce rounding differences when individual line items are added together as the individual line items are calculated in Euro (rather than in thousands of Euro).

The consolidated financial statements at December 31, 2021 were audited by Deloitte & Touche S.p.A. (appointed by the Shareholders' Meeting of March 1, 2021).

Consolidation principles and consolidation scope

The consolidated financial statements include the statutory financial statements of SECO S.p.a. (Parent Company) and the companies in which the parent company directly and/or indirectly holds a controlling interest. The line-by-line consolidation method has been used for these companies. The following companies are included in the consolidation scope:

- SECO SpA, with registered office in Arezzo 52100, Via Achille Grandi No. 20, Tax/VAT No. 00325250512, share capital Euro 1,073,934.00
- PSM Tech S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, Tax/VAT No. 02301580516, share capital Euro 30,000.00
- SECO USA, Inc., with registered office in Burlington, Massachusetts (USA), share capital USD 3,610,000.00, now known as Seco Holdings, Inc.
- SECO Deutschland Gmbh, with registered office in Hanau (Federal Republic of Germany), share capital Euro 25,000.00
- Seco Mind S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, share capital Euro 61,200.00 In July 2021, the former Hopenly S.r.l. and Aidilab S.r.l. merged by incorporation into the former Isporata S.r.l. which, as a result of the merger, changed its name to "Seco Mind S.r.l."
- SECO Asia, limited, with registered office in Hong Kong, share capital Euro 6,999,957.05
- Fannal Electronics Co., Ltd, with registered office at 6F, No. 77, Bowang Street, Yuhang District, Hangzhou, Zheijang (People's Republic of China), share capital RMB 7,365,517.00
- InHand Electronics, Inc., now Seco Usa Inc., with registered office in Rockville, Maryland (USA), share capital USD 3,291,786.37
- Seco Mind USA, LLC, with registered office in San Jose, California, USA, share capital USD 12,857,142.86, incorporated in May 2021
- Piri.ai Inc, with registered office in Ahmedabad (India), share capital INR 100,000.00
- Seco Microelectronics Co., Ltd., with registered office in Hangzhou (People's Republic of China), share capital RMB 64,763,000.00
- SECO Northern Europe Holding GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 25,000.00
- Garz & Fricke Holding GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 102,661.00
- SECO Northern Europe GmbH (Hamburg) , with registered office in Hamburg, Federal Republic of Germany, share capital Euro 100,000.00
- SECO Northern Europe GmbH (Wuppertal) , with registered office in Wuppertal, Federal Republic of Germany, share capital Euro 26,000.00
- Garz & Fricke Inc. (Minneapolis, USA) , with registered office in Minneapolis, USA, share capital USD 5,000.00
- SECO Mind Germany GmbH (Stuttgart), with registered office in Stuttgart, Federal Republic of Germany, share capital Euro 25,000.00
- E-GITS India Private Ltd. (Chennai, India) , with registered office in Chennai, India, share capital INR 640,200.00

Any associated undertakings and minor companies in which the interest held is less than 20% and which constitute non-current financial assets are valued on the basis described in the paragraph below entitled "Recognition, classification and valuation criteria".

For the consolidation, the statutory financial statements or reporting packages of the individual companies were used, already approved by the respective Boards for approval, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.

As per IFRS 10, the Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee.

Generally, there is presumption that the majority of the voting rights results in control. To support this presumption, when the Group holds less than a majority of the voting rights, the Group, in accordance with IFRS 10 standard, considers all relevant facts and circumstances to determine whether it has control of the entity, including any contractual arrangements with other holders of voting rights.

Consolidation is carried out according to the line-by-line method; the assets and liabilities, charges and income of the consolidated companies are fully included in the consolidated financial statements from the moment control is acquired until the date when it ceases. In accordance with IFRS 3, the subsidiaries acquired by the Group are accounted for using the acquisition method, according to which:

- the amount transferred in a business combination is valued at fair value, calculated as the sum of the fair value of the assets acquired and the liabilities assumed by the Group at the acquisition date and any equity instruments issued in exchange for control of the company acquired; accessory charges to the transaction are expensed to the income statement when incurred;
- Goodwill is initially recognized at cost, represented by the excess of all the consideration paid and the amount recorded for minority interests over the net identifiable assets acquired and liabilities assumed by the Group. This goodwill is not amortized but is subject to impairment testing at least annually, and in any case whenever events occur that suggest a reduction in value, in order to verify its recoverability;
- If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilized to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement.

The share of equity and result for the period attributable to non-controlling interests are recorded separately, in the balance sheet, income statement and comprehensive income statement respectively.

The payables and receivables and income and charge relating to transactions between companies in the consolidation scope are eliminated. Profits arising from transactions between these companies and relating to amounts included in equity attributable to the shareholders of the parent company are eliminated. The tax effects of consolidation adjustments are taken to the account "deferred tax liabilities", where liabilities and to the account "deferred tax assets" where assets;

Foreign currency transactions are recorded at the current exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the operative currency at the exchange rate at the reporting date.

The separate financial statements of each company belonging to the Group are prepared in the primary currency where they operate (operational currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in Euro, which is the operational currency of the Group and the presentation currency of the consolidated financial statements. All of the assets and liabilities of foreign subsidiaries in currencies other than the Euro which are included in the consolidation are translated using the exchange rate at the balance sheet date (current foreign exchange rate method). Income and costs are translated at the average exchange rate for the year. The exchange rate differences resulting from the application of this method, as well as the exchange rate differences resulting from the comparison between the opening equity converted at current exchange rates and the same converted at historical exchange rates, pass through the comprehensive income statement and are accumulated in a specific equity reserve until the investment is sold.

In the preparation of the consolidated cash flow statement the average exchange rates for the year are used to convert the cash flows of foreign subsidiaries.

The exchange rates used for the translation to Euro of the financial statements of the companies included in the consolidation are shown in the table below.

Currency	Exchange rate at 31.12.2021	2021 average exchange rate	Average exchange rate June/December 2021	Average exchange rate October/ December 2021
US Dollar (USD)	1.1326	1.1827	1.1674	-
Chinese Renminbi (CNY)	7.1947	7.6282	-	-
Indian Rupee (INR)	84.2292	-	-	85.6854

IFRS Accounting Standards, Amendments and Interpretations applied from January 1, 2021

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2021:

On March 31, 2021, the IASB published an amendment entitled "***Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16)***"by which it extends by one year the period of application of the amendment issued in 2020, which provided lessees the option to account for Covid-19-related rent reductions without having to assess through contract analysis whether the definition of lease modification in IFRS 16 was met. Therefore, the lessees who applied this option in fiscal year 2020 accounted for the effects of rent reductions directly in the income statement on the effective date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies from April 1, 2021, and early adoption is permitted. The adoption of these amendments does not have any effects on the Group consolidated financial statements.

On June 25, 2020, the IASB published an amendment called "Extension of the Temporary

Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from the application IFRS 9 to be extended until 1 January 2023 for insurance companies. The adoption of this amendment does not have effects on the consolidated financial statements of the Group.

On August 27, 2020, the IASB published, in light of the reform on interbank interest rates such as IBOR, the document "***Interest Rate Benchmark Reform-Phase 2***" which contains amendments to the following standards:

- IFRS 16 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement.
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts; and
- IFRS 16 Leases.

All the amendments entered into force as of January 1, 2021. The adoption of this amendment does not have effects on the consolidated financial statements of the Group.

IFRS accounting standards, amendments and interpretations approved by the EU, not yet mandatory and not adopted in advance by the group at December 31, 2021

On May 14, 2020, the IASB published the following amendments:

- **Amendments to IFRS 3 Business Combinations:** the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of the standard.
- **Amendments to IAS 16 Property, Plant and Equipment:** the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These sales revenues and related costs will therefore be recognized to the statement of profit or loss.
- ***Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:*** the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used to perform the contract).
- ***Annual Improvements 2018-2020:*** the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

All the amendments will enter into force from January 1, 2022. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

On May 18, 2017, the IASB published **IFRS 17 - Insurance Contracts** which replaces IFRS 4 - Insurance Contracts.

The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The IASB developed the standard in order to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer.

The new standard sets out in addition presentation and disclosure requirements to improve comparability between entities belonging to the same sector.

It measures insurance contracts on the basis of a General Model or a simplified version of such, called the Premium Allocation Approach ("PAA").

The main features of the General Model are:

- the estimates and assumptions of future cash flows always refer to the current portion;
- the measurement reflects the time value of money;
- the estimates include an extensive use of observable market information;
- a current and clear risk measurement exists;
- the expected profit is deferred and aggregated into groups of insurance contracts on initial recognition; and,
- the expected profit is recognized in the period of contractual coverage, taking account of adjustments from changes in the assumptions on cash flows for each group of contracts.

The PAA approach involves the measuring of the liability for the residual coverage of a group of insurance contracts on the condition that, on initial recognition, the entity expects that this liability reasonably reflects an approximation of the General Model. Contracts with a coverage period of one year or less are automatically considered appropriate for the PAA approach. The simplifications from application of the PAA method do not apply to the valuation of liabilities for existing *claims*, which are measured with the General Model. However, it is necessary to discount these cash flows where it is expected that the balance will be paid or received within one year from the date on which the *claim* occurred.

The entity should apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective from January 1, 2023, although advance application is permitted, only for entities applying IFRS 9 – Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Directors do not expect this standard to have a significant impact on the Group consolidated financial statements.

IFRS Standards, Amendments and Interpretations not yet approved by the European Union

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

On January 23, 2020, the IASB published an amendment entitled "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current".** The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2023 and early application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements. On February 12, 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2**" and "**Definition of Accounting Estimates—Amendments to IAS 8**". The changes are intended to improve disclosure on accounting policies to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be applicable from January 1, 2023, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements. On May 7, 2021, the IASB published an amendment called "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**". The document clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will be applicable from January 1, 2023, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

On December 9, 2021, the IASB published an amendment called "**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information**". The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for financial statement readers. The amendments will apply from January 1, 2023, together with the application of IFRS 17. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

On January 30, 2014 the IASB published **IFRS 14 Regulatory Deferral Accounts** which permits only those adopting IFRS for the first time to continue to recognize amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. As the Group is not a first-time adopter, this standard is not applicable.

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Financial Statement format

The financial statements of the SECO Group are presented as follows:

- the Balance Sheet reports assets and liabilities analyzed by maturity, separating current and non-current accounts as due within and beyond 12 months;
- the Income Statement, in view of the specific activity carried out, is presented with the individual items analyzed by nature;
- the Comprehensive Income Statement shows the components of net income suspended in equity and is presented as a separate statement;
- the Statement of Changes in Equity shows changes in capital, reserves and net profit for the period;
- the Consolidated Cash Flow Statement was prepared reporting financial cash flows according to the "indirect method", as permitted by IAS 7. In order to provide a clearer picture of cash flows, certain changes were made with respect to the format adopted in the previous year, reclassifying for comparative purposes the cash flows relating to the previous year.

It should be noted that, as a result of the transactions described in greater detail in the Business Combinations section, the changes in the income statement, balance sheet and cash flow for the year ended December 31, 2021 were influenced by the extended consolidation scope, as described in greater detail in the individual sections of the notes.

The functional and presentation currency of the Company is the Euro. Unless otherwise specified, amounts shown in the Notes to the Financial Statements are expressed in thousands of Euro.

Accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements at December 31, 2020 are disclosed below.

Property, plant & equipment

The Group applies the provisions of IAS 16 "Property, Plant & Equipment".

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset. If major components of such tangible assets have different useful lives, such components are accounted for separately. Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Property, plant & equipment are presented net of accumulated depreciation and any losses in value, calculated as described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate. The main economic-technical rates used are those derived from the individual useful lives:

Category	Rates
Buildings	3%
Light constructions	10%
General plant	10%
Specific plant	15%
Machinery	25%
Equipment	15%
Furniture & fittings	12%
Motor vehicles	25%
Trade fairs stands	10%
Molds	25%
Other assets	20%

The depreciation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Gains and losses on disposal are determined by comparing the consideration with the net book value. The amount so determined is recorded in the income statement on an accruals basis.

Borrowing costs that are directly attributable to the acquisition, construction or production of a tangible fixed asset which requires a lengthy period before availability for use shall be capitalized as part of the cost of that asset. All other financial charges are recognized as a charge in the period in which they are incurred. Financial charges consist of interest and other costs that a Group entity incurs in connection with obtaining financing.

Intangible assets

Intangible assets purchased or constructed internally are recorded when it is probable that the use of the asset will generate future economic benefits and when its cost can be reliably calculated. Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. After initial recognition, the intangible assets are recorded at cost less accumulated amortization and any loss in value. Intangible assets internally generated, with the exception of development costs, are not capitalized and are expensed to the income statement in the year they are incurred.

Development costs are recognized as assets only if all of the following conditions are met: the Group is able to demonstrate:

- the technical feasibility to complete the intangible asset, so as to be available for use or sale;
- the intention to complete the asset and its capacity and intention to utilize or sell the asset;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the capacity to reliably value the cost attributable to the asset during development.

Capitalized costs include only those costs that are directly attributable to development.

The development costs capitalized are amortized on a straight-line basis, commencing from the beginning of the production over the estimated life of the product. During the development period the asset is subject to an annual impairment test.

Costs that are not related to development or that do not meet the requirements identified above are recognized in the income statement when incurred.

The useful life of the intangible assets is measured as finite or indefinite. The finite intangible assets are amortized over the useful life of the asset and verified for any indications of a possible impairment. The amortization period and method applied is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or of the manner in which the future economic benefits related to the intangible assets are received by the Group are recorded amending the period and method of amortization, and treated as changes in the accounting estimates. The amortization of finite intangible assets is recorded in the income statement under the category of costs relating to intangible assets.

Category	Rates
Software, licenses and others	20%
Development costs	20%
Other intangible assets	20%

Intangible assets with indefinite useful lives (Goodwill) are tested annually for impairment at the cash-generating unit level. These assets are not amortized. Gains or losses from the disposal of an intangible asset are measured as the difference between the net disposal consideration and the carrying amount of the intangible asset and are recognized in the income statement when the asset is disposed.

Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization but are subject to an impairment test at least once a year, aimed at verifying whether their book value has reduced.

Amortized assets are subjected to an impairment test if there are events or circumstances such that the carrying amount cannot be recovered (trigger event). In both cases, any impairment is recorded at the amount of the book value that exceeds the recoverable value. This latter is the higher between the fair value of the asset less costs to sell and its value in use. If it is not possible to determine the value in use of an asset individually, it is necessary to determine the recoverable value of the CGU (Cash Generating Unit) that includes the asset. The CGU is the smallest group of assets that comprises the asset being tested for impairment and generates cash inflows that are largely independent of the cash inflows from the other assets or groups of assets. The directors have identified three CGU's within the Group.

In the determination of the value in use of each CGU, the estimated future cash flows are discounted by the Group at a pre-tax rate that reflects the market assessment of the present value of money and the risks specific to the asset. In the determination of the fair value net of selling costs, account is taken of recent market transactions. Where it is not possible to identify these transactions, an adequate valuation model is utilized. These calculations are made utilizing appropriate valuation multipliers, listed equity prices for publicly traded securities and other fair value indicators available.

The Group bases its impairment test on recent budgets and forecasts, approved by the Board of Directors. These budgets and forecasts generally cover a period of three years. A constant long-term growth rate is calculated to project future cash flows beyond the third year.

The losses in value of operating assets are recorded in the income statement in the category of costs relating to those assets.

The value of an asset previously written down may be restated only if there have been changes in the assumptions used to determine the recoverable value, after the last recording of a loss in value. The recovery of value cannot exceed the carrying amount which would have been calculated, net of amortization, where no such loss in value was recorded in previous years. This recovery value is recognized in the income statement.

Right-of-use

Lease agreements entered into as a lessee result in the recognition of an asset representing the right to use the leased asset and the financial liability for the obligation to make payments under the agreement. The assessment as to whether a contract contains a lease is made on the date of inception. In particular, the lease liability is initially recorded at the present value of future payments to be made, adopting a discount rate equal to the implicit interest rate of the contract or, if this cannot be easily determined, using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost using the incremental interest rate and is restated following renegotiation of contracts, changes in rates, changes in the valuation of any contractual options. The Right-of-use is initially recognized at cost and is subsequently adjusted to take account of the amortization recognized, any impairment losses and the effects of any restatement of lease liabilities.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the asset consisting of the right-of-use reflects the fact that the lessee will reasonably exercise the option to purchase, the lessee shall depreciate the asset consisting of the right-of-use from the commencement date to the end of the useful life of the underlying asset.

The Group determines the lease term as the non-cancellable period of the lease to which the periods covered by the lease extension option should be added, if there is a reasonable certainty of exercising such option.

The Group uses its judgement in assessing whether it is reasonably certain that the option will be renewed. However the Group considers all relevant factors that may result in an economic incentive to exercise renewal options or to terminate the contract. After inception, the Group reassesses the lease term where there is a significant event or significant change of circumstance within its control that may affect its ability to exercise (or not to exercise) the option to renew (for example, investments in leasehold improvements or significant specific changes on the leasehold).

The Group decided to adopt a number of simplifications, as provided for by the standard, excluding from the above treatment contracts with a duration of 12 months or less and that do not contain a purchase option (so-called "short-term", calculated on the residual duration at the time of first-time adoption or, in the event of stipulation after January 1, 2018, on the contractual duration), those with a value of less than Euro 30 thousand (so-called "low-value") and those relating to intangible assets. The Group has its own production facilities even in countries where ownership rights are not allowed. Advance rentals, paid to obtain the availability of the land on which their production facilities are located, are recorded under right-of-use. Rentals related to contracts that do not contain a lease, and those related to short-term leases and low-value assets are recognized as expenses on a straight-line basis over the term of the contract.

Goodwill

Goodwill, in application of IFRS 3, is initially recognized at cost represented by the excess of the total amount paid and the amount recognized for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. It represents an intangible asset with indefinite life. For each business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under service expenses.

Goodwill is not amortized but subjected annually, or more frequently if certain events or changed circumstances indicate the existence of a permanent loss in value, to impairment tests in accordance with IAS 36. After initial recognition, goodwill is measured at cost net of accumulated impairment. When all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or loses generated by such sale.

Business combinations

Business combinations are recognized using the acquisition method. The acquisition cost is calculated as the total of the fair value at the date of acquisition and the value of any minority equity holding in the acquisition measured at fair value. For every business combination, the buyer must measure any minority holding, which remains subsequently in the business combination, at fair value or in proportion to the amount held in the identifiable net assets of the acquisition. The acquisition costs are expensed and classified under administration expenses. When the Group acquires a business, i.e., a business consisting of inputs and substantial processes applied to those inputs that are capable of contributing to the creation of output, it must classify or designate the assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant terms in place at the date of acquisition. Every potential payment is recorded by the acquirer at fair value at the acquisition date. The change in the fair value of the potential payment classified as an asset or liability will be recorded in accordance with IFRS 9, in the income statement. If the contingent consideration is classified as equity, its value does not need to be recalculated and its settlement will be accounted for against equity.

Business Combinations by the Group

Listed below are the transactions that resulted in a change in the Group's consolidation scope, from the individual dates of acquisition of control, as a result of Business Combinations during 2021:

(a) Acquisition of the Oro Networks LLC business unit

On May 28, 2021, the Group incorporated the new company SECO Mind USA LLC through which, on June 23, it signed the business purchase agreement with the following companies: ORO Networks LLC, and Piri.AI.

The Group performed the Purchase Price Allocation (PPA) of the purchase price and made the allocation of the cost of the combination, recognizing the fair value of the identifiable assets, liabilities and contingent liabilities of the business unit, details of which are presented in the following table, as of the date of acquisition of control:

(in USD thousands)	
Intangible assets	1,550
Other non-current assets	6
Total non-current assets	**1,556**
Trade receivables	242
Cash and cash equivalents	101
Total current assets	**343**
TOTAL ASSETS [A]	**1,899**
TOTAL LIABILITIES [B]	**0**
Total fair value Assets and Liabilities [C= A-B]	1,899
Non-controlling interests equity [D]	3,857
Consideration [E]	7,000
Goodwill recorded in accordance with IFRS 3 [E+D-C]	8,958

The fair value of the assets acquired and liabilities assumed, identified by the allocation of the purchase price in accordance with IFRS 3, has been definitively determined at the date of approval of this financial report.

Through this transaction, SECO Mind USA acquired the assets related to the IoT and Artificial Intelligence business reported in the above table. This transaction falls within the scope of IFRS 3 and generated goodwill of USD 8,958 thousand arising from the difference between the fair value of the assets and liabilities acquired, amounting to USD 1,899 thousand, and the consideration of USD 7,000 thousand, in addition to the non-controlling interest share, of USD 3,857 thousand, in relation to the share capital increase of Seco Mind USA LLC, simultaneous to the described transaction.

The effect on sales revenues and the net profit from the date of acquisition of control to year-end 2021 was respectively Euro 2,295 thousand and Euro 769 thousand.

Acquisition costs, totaling Euro 383 thousand, have been expensed and classified to service costs.

Seco Mind Us and Piri. Ai Inc have been allocated to the cash generating unit Seco Northern Europe. The recoverability of the goodwill, recorded against expected synergies from the combination of the business units and the Group's activities with regard to IoT and Artificial Intelligence solutions, was tested by comparing the net book value of the cash generating unit with its recoverable amount (value in use). This recoverable value is represented by the present value of future cash flows that are estimated to derive from the continuous use of the assets referred to the cash generating unit and the terminal value attributable to the same. Reference should be made to note (4) Goodwill for further details on the impairment test.

(b) Acquisition of the Garz&Fricke Group

On October 11, 2021, the Parent Company successfully completed the acquisition of the entire share capital of Garz & Fricke Holding GmbH and of AF HMI Holding GmbH ("G&F Group"), businesses headquartered in Hamburg (Germany) that develop and implement hardware and software solutions for the Industrial Internet of Things (IoT).

The consideration for the purchase of the entire share capital amounts to Euro 108,547 thousand, including Euro 15,000 thousand via the issue of 2,559,057 newly issued shares, valued at fair value. The Parent Company also paid Euro 35,656 thousand as the Shareholder Loan Purchase Price to acquire ownership of this loan, which is classified under "Current portion of non-current financial payables".

The Group performed the Purchase Price Allocation (PPA) of the combination cost allocation, recognizing the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired group.

With reference to the purchase price allocation process, this has led, among other matters, to the identification of new assets, referring to the Customer List with an overall fair value of Euro 33,000 thousand, to the recording of a higher value of inventories for Euro 985 thousand. Deferred tax liabilities totaling Euro 10,196 thousand have been recorded in relation to these items, as their values have not been recorded for tax purposes in the jurisdiction in which the acquisition was made. The valuation of these new assets and the related tax treatment were determined based on a valuation prepared by an independent third party.

The difference between the purchase price and the fair value of the net assets acquired, details of which are provided on the following page on the date control was acquired, has been allocated to goodwill.

The fair value of the assets acquired and liabilities assumed, identified by the allocation of the purchase price in accordance with IFRS 3, has been definitively determined at the date of approval of this financial report.

The acquisition of the G&F Group represents a unique strategic opportunity for SECO in the creation of a European and global leader in IoT-AI and edge computing, enabling SECO to become the largest European listed player, and the number 3 in the sector worldwide.

SECO will be able to count on more than 200,000 devices produced by the G&F Group (of which about 65,000 already have IoT connectivity) to further accelerate the deployment of CLEA, the IoT-AI platform developed by SECO, in German-speaking countries. The acquisition will also enable the integration of G&F Group's payment system solutions with CLEA, further strengthening SECO's IoT-AI product portfolio and capabilities.

The effect on sales revenue and profit for the year from the date of acquisition of control to the end of fiscal 2021 was Euro 12,378 thousand and Euro (210) thousand, respectively.

If the Garz&Fricke Group had been consolidated from January 1, 2021, the consolidated income statement would have included revenues of Euro 47,038 thousand and a loss for the year of Euro 4,632 thousand.

Acquisition costs, totaling Euro 1,961 thousand, have been expensed and classified to service costs.

(in Euro thousands)	
Property, plant and equipment	4,253
Intangible assets	36,426
Right-of-use	7,838
Deferred tax assets	1,369
Total non-current assets	**49,887**
Inventories	14,323
Trade receivables	6,057
Tax receivables	1,063
Other receivables	755
Cash and cash equivalents	6,408
Total current assets	**28,606**
TOTAL ASSETS [A]	**78,493**

(in Euro thousands)	
Provisions for risks	641
Deferred tax liabilities	11,777
Non-current financial *lease* liabilities	5,750
Total non-current liabilities	**18,168**
Current financial liabilities	922
Current portion of non-current financial payables	71,466
Current financial *lease* liabilities	861
Trade payables	2,886
Other current payables	8,233
Tax payables	920
Total current liabilities	**85,288**
TOTAL LIABILITIES [B]	**103,455**

Total fair value Assets and Liabilities [C= A-B]	(24,962)
Non-controlling interests equity [D]	0
Consideration [E]	108,547
Goodwill recorded in accordance with IFRS 3 [E+D+C]	133,509

The Garz & Fricke Group has been allocated to the cash generating unit Seco Northern Europe. The recoverability of goodwill was tested by comparing the net book value of the cash generating unit with its recoverable amount (value in use). This recoverable value is represented by the present value of future cash flows that are estimated to derive from the continuous use of the assets referred to the cash generating unit and the terminal value attributable to the same. Reference should be made to note (4) Goodwill for further details on the impairment test.

Financial assets

IFRS 9 provides for a single approach for the analysis and classification of all financial assets, including those contained in embedded derivatives. The classification and the relative measurement is made considering both the management model of the financial assets and the contractual characteristics of the cash flows from the asset. Depending on the characteristics of the instrument and the business model adopted for its management, a distinction is made between the following three categories: (i) financial assets valued at amortized cost; (ii) financial assets valued at fair value with recognition of the effects to other comprehensive income (also, OCI); (iii) financial assets valued at fair value with recognition of the effects to the income statement. Financial assets are valued using the amortized cost method when both of the following conditions are met: - the management model of the financial asset consists of holding it for the sole purpose of collecting the related cash flows; and - the financial asset generates, at contractually predetermined dates, cash flows that exclusively represent the return on the financial asset. Using the amortized cost method, the initial carrying amount is subsequently adjusted to take account of capital repayments, any write-downs and the amortization of the difference between the repayment value and the initial carrying amount. Amortization is carried out on the basis of the effective internal interest rate which represents the rate that makes the present value of expected cash flows and the expected initial carrying amount at the time of initial recognition. Receivables and other financial assets measured at amortized cost are shown net of the related doubtful debt provision. Financial assets represented by debt instruments whose business model provides both the possibility of collecting contractual cash flows and the possibility of realizing capital gains on disposal (so-called business model hold to collect and sell), are measured at fair value with the effects recognized to OCI. In this case, changes in the fair value of the instrument are recognized in equity, among other components of comprehensive income. The cumulative amount of changes in fair value, recognized in the equity reserve that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognized. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recorded in the income statement. A financial asset representative of a debt instrument which is not valued at amortized cost or at FVTOCI, is valued at fair value with recognition of the effects to the income statement.

The investment in CUBIT is considered a financial instrument at fair value through profit or loss (FVTPL), as it is an investment in equity instruments over which the Group does not exercise significant influence.

Receivables

In accordance with the above criteria, trade and other receivables are financial assets initially recognized at fair value and subsequently measured based on the amortized cost method, net of the doubtful debt provision. IFRS 9 defines an impairment/write-down model of these assets, with the objective to provide useful information to the readers of financial statements in relation to expected losses. According to this model, the Group assesses receivables using an expected loss approach. For trade receivables the Group adopts a simplified approach to valuation which does not require the recording of periodic changes in credit risk, but rather the estimation of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy implemented by the Group provides for the stratification of trade receivables into categories on the basis of days past due, defining the allocation based on historical experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors and the economic environment. Trade receivables are fully written down if there is no reasonable expectation of recovery, i.e. in the presence of inactive trade counterparties. The carrying amount of the asset is reduced through the use of an allowance for impairment and the amount of the loss is recognized in the income statement. When collection of the consideration is deferred beyond the normal commercial terms practiced to customers, the receivable is discounted.

In the case of factoring and, in particular, to non-recourse assignments of trade receivables, which provide for the almost total and unconditional transfer to the assignee of the risks and benefits relating to the assigned receivables, the receivables themselves are removed from the financial statements.

In the case of assignments in which risks and benefits are not transferred, the related receivables are retained in the financial statements until the assigned debtor is paid. In this case, any advances collected by the factor are recorded under payables to other lenders.

Inventories

Inventories are recorded at the lower of purchase or production cost and realizable value represented by the amount that the company expects to obtain from their sale in the normal course of operations. The cost of raw materials and finished goods is determined by applying the weighted average purchase cost per movement, including ancillary purchase charges. The production costs of finished and semi-finished products include the direct cost of the materials and the labor, in addition to general production expenses based on the normal production capacity, but not considering financial charges.

Obsolete, slow-moving inventories and/or those in excess of normal requirements are written down through a specific provision, in relation to their possibility of use or future realization. Write-downs are restored in future years should the reason for the write-down no longer exist.

Government grants

Capital grants are recognized when there is reasonable certainty that they will be received and that the conditions will be satisfied for their attainment.

1. *Operating grants*

Operating grants consist of government grants and subsidies received and intended to supplement revenues. The Group accounts for these contributions on an accruals basis in accordance with IAS 20.

2. Capital grants

In the event that the grant is linked to an investment, the investment and the grant are recorded at their nominal value and the release to the income statement takes place progressively over the expected useful life of the relevant investment on a straight-line basis, reducing the initial deferred income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank and post office deposits.

Equity

Share capital

This represents the subscribed and paid-up capital of the Parent Company.

Costs related to the issuance of new shares or options are classified, if any, in equity as a decrease in the amounts arising from the issuance of such instruments.

Reserves

These comprise:

- legal reserve
- specific allocation reserve
- IAS/IFRS transition reserve, net of the tax effect
- share premium reserve
- retained earnings

Treasury shares

In December 2021, 410,000 treasury shares were purchased; such shares are recorded as a reduction of equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognized as equity movements.

Employee benefits

The liability relating to the benefits paid to employees and directors on or after termination of employment under defined-benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, estimating the amount of future benefits that employees have accrued at the reference date (the so-called "projected unit credit method"). The liability, recorded on the balance sheet net of any plan assets, is recognized on an accrual basis over the vesting period. The liability is calculated by independent actuaries. The components of defined benefit cost are recognized as follows: - service costs are recognized in the income statement as part of personnel costs; - net finance costs on the defined benefit liability or asset are recognized in the income statement as Financial income/(expense), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking into account contribution and benefit payments that occurred during the period; - the remeasurement components of the net liability, which include actuarial gains and losses, return on assets (excluding interest income recognized in the income statement) and any change in the asset limit, are recognized immediately in Other comprehensive income (loss). These components should not be reclassified to the Income Statement in a subsequent period.

Termination benefits are recognized on the earliest of the following dates: i) when the Company can no longer withdraw its offer of such benefits, and ii) when the Company recognizes the costs of a restructuring.

Incentive plans

In line with the provisions of IFRS 2, the Group classifies medium/long-term incentive plans as "share-based payments" and requires, for those falling into the "equity-settled" category, which requires the physical delivery of the shares, the determination at the grant date of the fair value of the option rights issued and its recognition as a cost recognized on a straight-line basis over the vesting period, with a counter-entry in a specific equity reserve. This allocation is made on the basis of an estimate of the rights that will actually accrue in favor of the staff entitled to them, taking into account the conditions of use of the same not based on the market value of the rights.

At the end of the fiscal year, the equity reserve is reclassified to available reserves.

Provisions for risks

Where the Group has a legal or implicit obligation as a result of a past event and it is probable that it will incur a loss of economic benefits in order to meet that obligation, a provision is recorded. If the time factor of the expected loss of benefits is significant, the amount of future cash outflows is discounted at a pre-tax interest rate that takes into account market interest rates and the specific risk of the liability to which it relates.

No provision is made for any future operating losses. Provisions are measured at the current value of management's best estimate of expenditures to meet the current obligation as of the reporting date.

In the case of lawsuits, the amount of provisions has been determined on the basis of estimates made by the Group, together with its legal advisors, in order to determine the probability, timing and amounts involved and the probable outflow of resources. The provision made will be adjusted as the case develops. At the conclusion of the dispute, the amount that may differ from the provision set aside in the financial statements will be charged to the income statement.

The risk provisions mainly comprise the Supplementary Agents Indemnity Fund (FISC), which is allocated in relation to the termination of agency contracts at the initiative of the principal for reasons not attributable to the agent or representative. In fact, the agent or representative will be paid a supplementary agents indemnity, to be calculated on the overall amount of the commissions for which the right to payment arose in favor of the agent for the entire duration of the relationship (from the date of stipulation of the contract to the date of termination) even if the same sums have not been paid in full at the time of termination of the relationship.

Deferred tax assets and liabilities

Deferred taxes are calculated using the liability method on temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements. Deferred tax liabilities are recorded on all temporary assessable differences, with the following exceptions:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- the reversal of the temporary differences, related to investments in subsidiaries, associates and joint ventures, can be controlled and it is probable that such will not occur in the foreseeable future.

Deferred tax assets are recognized on all temporary deductible differences, credits and unused fiscal losses carried forward, to the extent of the probable existence of adequate future tax profits, that can justify the use of the temporary deductible differences, credits and fiscal loses carried forward, with the following exceptions:

- when the deferred tax assets related to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- in the case of temporary differences related to investments in subsidiaries, associates and joint ventures, the deferred tax assets are only recognized to the probable extent that the temporary differences will reverse in the foreseeable future and there are sufficient assessable amounts to utilize such temporary differences.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets. Deferred taxes are determined based on the tax rates that are expected to apply in the period in which such deferrals will be realized, considering the rates in effect and those already enacted, or substantially in effect, at the date of the financial statements. Deferred taxes are recognized directly to the income statement, with the exception of those relating to accounts directly recognized to the comprehensive income statement, in which case the deferred taxes are also recognized to the comprehensive income statement.

Financial liabilities

Financial liabilities include borrowings, current financial liabilities and financial liabilities arising from leases. Pursuant to IFRS 9, they also include trade and other payables. Financial liabilities are recorded at fair value net of transaction costs. After initial recognition, loans are recognized on the basis of amortized cost, calculated by applying the effective interest rate. A financial liability is derecognized when the underlying obligation of the liability is settled, cancelled or fulfilled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement. In the event of renegotiation of a financial liability that does not qualify as an "settlement of the original debt", the difference between i) the carrying amount of the liability prior to modification and ii) the present value of the cash flows of the modified debt, discounted at the original rate (IRR), is recognized in the income statement.

Derivative instruments and hedge accounting

The derivative instruments entered into by the Group are designed to cover exposure to the interest rate risk associated primarily with loan agreements. On the date the contract is entered into, derivative instruments are initially recognized at fair value and, if the derivative instruments are not formally designated as hedging instruments, changes in fair value recognized subsequent to initial recognition are treated as a financial component of net income for the year. If, on the other hand, the derivatives meet the requirements to be classified as hedging instruments and are formally designated as such, the subsequent changes in fair value are accounted for by following the specific criteria set out in IFRS 9 below. For each derivative financial instrument identified as a hedging instrument, its relationship to the hedged item is documented, including risk management objectives, hedging strategy, and assessment of hedge effectiveness. The effectiveness of each hedge is tested both at the time of inception of each derivative instrument and during its life. Generally, a hedge is considered to be highly "effective" if, both at its inception and during its life, changes in the fair value in the case of a fair value hedge or in the expected future cash flows in the case of a cash flow hedge of the hedged item are substantially offset by changes in the fair value of the hedging instrument. When the hedge concerns changes in the fair value of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instrument and the changes in the hedged item are recorded in the Income Statement. In the case of a hedge aimed at neutralizing the risk of changes in future cash flows deriving from the future execution of transactions that are expected to be highly probable at the reporting date (cash flow hedge), the changes in the fair value of the derivative instrument posted subsequent to initial recognition are accounted for, limited only to the effective portion, among the components of Comprehensive Income and Loss. When the economic effects arising from the hedged item become apparent, the reserve is reversed to the Income Statement among the operating components. If the hedge is not perfectly effective, the change in fair value of the hedging instrument, referring to the ineffective portion of the hedge, is immediately recorded in the income statement. If, during the life of a derivative instrument, the expected transaction for which the hedge was activated is no longer expected to take place, the part of the "reserves" item relating to this instrument is immediately reversed to the Income Statement for the year. On the other hand, if the derivative instrument is sold or no longer qualifies as an effective hedging instrument, the part of the "reserves" item representing the changes in fair value of the instrument, recorded up to that moment, is maintained as a component of Comprehensive Income and is reversed to the Income Statement in accordance with the classification criterion described above, at the same time as the economic effects of the transaction originally covered by the hedge occur. Financial assets are derecognized from the balance sheet when the right to receive the cash flows from the instrument ceases and the Company has transferred all the risks and rewards relating to the instrument and the relative control.

Revenues from sales and services

On the basis of the five-stage model introduced by IFRS 15, the Group recognizes revenues after identifying the contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the provision of each of these services, and assessing the way in which these services will be provided (provision at a specific time versus provision over time). In particular, the Group recognizes revenues only if the following requirements are met (so-called identification requirements of the "contract" with the customer):

a) the parties have approved the contract (in writing, orally or in compliance with other normal commercial practices) and have committed to fulfill the respective obligations; an agreement therefore exists between the parties which creates the applicable rights and obligations irrespective of the form with which this agreement takes;

b) the Group may identify the rights of each of the parties with respect to the goods or services to be transferred;

c) the Group can identify the payment conditions for the goods or services to be transferred;

d) the contract has commercial substance;

e) it is likely that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the client.

If the above requirements are not met, the related revenue is recognized when: (i) the Group has already transferred control of the goods and/or provided services to the customer and all, or almost all, of the consideration promised by the customer has been received and is non-refundable; or (ii) the contract has been terminated and the consideration the Group has received from the customer is non-refundable. If the above requirements are met, the Group applies the recognition rules described below. Revenues from sales are recorded when control of the asset subject to the transaction is transferred to the purchaser, or when the customer acquires full capacity to decide on the use of the asset as well as to derive substantially all the benefits, on the basis of the terms defined with the customer. Revenues from services are recognized when they are rendered with reference to the stage of completion. The Group uses an input-based method to measure the progress of services because there is a direct relationship between labor hours expended and the transfer of services to the customer.

Revenues are represented net of discounts, including, but not limited to, sales incentive programs and customer bonuses, as well as taxes directly related to the sale of goods.

The Group has been operating for over 40 years in the high-tech market, designing, developing and manufacturing cutting-edge technological solutions ranging from miniaturized computers - embedded in more complex mechanisms and products - to integrated hardware and software systems, standard or customized, for various applications, including medical, industrial automation, wellness and vending systems. Recently, in particular during fiscal year 2020, the Group has also begun to offer services and solutions for applications in the area of the so-called "Internet of Things" (IoT) and high-tech finished products under its own brand name for end users.

Costs

Costs are recognized net of returns, discounts and allowances in accordance with the accrual basis of accounting.

Costs for the purchase of goods are recorded when all risks and rewards have been transferred, which normally coincides with the shipment of the goods. Costs for services are recorded on an accrual basis based on when the services are received.

Financial income

Financial income is recognized on an accrual basis. This includes interest income on funds invested, foreign currency gains and income deriving from financial instruments, when not offset by hedging operations. Interest income is recorded in the income statement at the moment of maturity, considering the effective yield.

Financial charges

Financial charges are recognized on an accrual basis. They include interest expense on borrowings calculated using the effective interest method, foreign currency losses and losses on derivative financial instruments. The interest expense portion of finance lease payments is charged to the income statement using the effective interest method.

Income taxes

Income taxes represent the sum of current and deferred taxation. Taxes allocated in the financial statements of the individual companies included in the consolidation scope are recorded in the consolidated financial statements, based on an estimate of the taxable income determined in accordance with the national legislation in force on the reporting date of the financial statements, taking into account any applicable exemptions. Income taxes are recognized in the income statement, except for those related to items directly charged or credited to the statement of comprehensive income. These are shown under "Tax payables" net of advances and withholding taxes.

Earnings per share

1) Basic

Basic earnings per share is calculated by dividing the overall result for the period attributable to holders of ordinary shares of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

2) Diluted

Diluted earnings per share is calculated by dividing the total earnings per share for the period attributable to holders of the Parent Company's ordinary shares, excluding treasury shares, by the weighted average number of shares outstanding, adjusted to take account of the effects of all dilutive potential ordinary shares. In order to calculate the diluted earnings, the average weighted number of shares outstanding is adjusted in respect of the dilution potential of ordinary shares, while the profit or loss of the company is adjusted to take into account the effects, net of income taxes, of the conversion.

Use of estimates

The preparation of the financial statements and notes in application of IFRS requires the Directors to apply accounting principles and methods that may be based on historical experience and assumptions that depend on the circumstances in which the valuations are made.

Estimates are used to value assets subject to impairment testing, as well as to recognize provisions for doubtful accounts, inventory obsolescence, provisions for risks and employee benefits. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized to the income statement. It is highlighted that, in the current global financial and economic crisis, the assumptions made on the future trends are characterized by significant uncertainty. Therefore it cannot be excluded in the next year results differ from those estimated which could require adjustments, even significant, today obviously not foreseeable nor expected.

The principal measurement processes and key assumptions used by the Group in applying IFRS and which may have significant effects on the values recorded in the financial statements or give rise to significant adjustments to the accounting values of assets and liabilities in the year subsequent to the reporting date are summarized below.

Recoverable value of non-current assets

Non-current assets include Property, plant and equipment and intangible assets, Goodwill, Non-current financial assets and Other non-current assets. The Group periodically reviews the carrying value of the non-current assets held and utilized and of assets to be disposed of, when events and circumstances require such. For Goodwill, this analysis is carried out at least annually and wherever required by circumstances. The analysis of the recoverability of the book value of Goodwill is carried out using estimates of the cash flows expected from the use or sale of the assets and adequate discount rates to calculate the present value. The recoverable amount is measured by determining the value in use, which is based on a discounted cash flow model. Cash flows are derived from the 3-year budget and do not include restructuring activities to which the Group has not yet committed or significant future investments that will increase the results of the business included in the cash generating unit being evaluated. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, in addition to the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable value for the CGU, including a sensitivity analysis, are described in detail in Note (4) Goodwill.

When the carrying amount of a non-current asset is impaired, the Company recognizes a write-down for the excess between the carrying amount of the asset and its recoverable amount through use or sale, with reference to the cash flows from the most recent business plans.

Provisions for risks

The Group accrues a liability against disputes and lawsuits in progress when it considers it probable that there will be a financial payable and when the amount of the losses arising can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the financial statements. Estimates and assumptions were made in determining the value of the provisions for contingencies, due to the uncertainty associated with these valuations, and it is possible that the estimates may need to be revised in subsequent periods.

Employee benefits

Employee benefit provisions and net financial charges are valued according to an actuarial method which requires the use of estimates and assumptions for the calculation of the net value of the obligation. The actuarial method considers parameters of a financial nature such as, for example, the rate of inflation and the growth rates of salaries, and considers the probability of occurrence of potential future events through the use of parameters of a demographic nature, such as, for example, rates relating to mortality and employee resignation or retirement. Due to the complexity of the valuation and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed on an annual basis.

The assumptions used for the valuation are detailed in paragraph (14) Employee benefits.

Doubtful debt provision

The allowance for losses reflects management's estimate of expected losses associated with the customer portfolio. The company applies the simplified approach of IFRS 9 and recognizes the expected losses on all trade receivables based on the residual duration, defining the provision based on the historical experience of the losses on receivables, adjusted to take into account specific forecast factors relating to the creditors and the economic environment (Expected Credit Loss – ECL concept). Further details on the valuation of the doubtful debt provision can be found in paragraph (9) Trade receivables. The amount of ECL's is sensitive to changes in circumstances and expected economic conditions. The Group's historical credit loss experience and forecast economic conditions might also fail to be representative of actual defaults by customers in the future.

Inventory obsolescence provision

The provision for inventory obsolescence reflects management's estimate of the Group's expected losses, determined based on past experience. Abnormal trends in market prices could be reflected in future inventory write-downs.

Fair value estimates

IFRS 13 defines a precise hierarchy of fair value organized on three levels, which take into account the degree of observability of the inputs used for the estimate. They determine, in fact, different levels of fair value reliability.

Inputs represent the assumptions that market participants would make in determining the relative price of the asset or liability, including assumptions about risk.

In general terms, IFRS 13 requires that valuation techniques use the highest and most reliable level of information.

Level 1 inputs are listed prices in active markets for identical assets or liabilities that the Group can access at the measurement date. A market is active if transactions take place frequently enough and in sufficient volume to provide continuous, up-to-date price information.

Level 2 inputs consist of listed prices for similar assets or liabilities in active markets, listed prices for identical or similar assets or liabilities in inactive markets, inputs other than observable listed prices for assets or liabilities (e.g., interest rates, spreads, etc...), inputs corroborated by the market through correlation processing or other means.

Level 3 inputs are those that are unobservable, for which market data are not available, and that reflect the assumptions a market participant would make in trying to assign a price to an asset or liability.

Sector disclosure

As a result of the acquisitions made during 2021, which are outlined in greater detail in the Business Combinations section, management has identified three operating segments, consistent with the management and control model used. In particular, the structure of the information corresponds to the structure of the reports periodically analyzed by the Board of Directors for the purposes of business management.

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Consolidated
Revenues from sales	97,621	12,378	2,295	112,293
Other revenue and income	3,808	236	0	4,045
Costs for services, goods and other operating costs	(65,434)	(7,597)	(1,108)	(74,139)
Personnel costs	(19,720)	(3,506)	(240)	(23,466)
Amortization & depreciation	(8,197)	(811)	(143)	(9,151)
Provisions & write-downs	0	(50)	(5)	(56)
Operating Profit	**8,078**	**650**	**798**	**9,526**
Financial income	51	0	0	51
Financial charges	(695)	(702)	(0)	(1,397)
Exchange gains/(losses)	(620)	9	0	(611)
Profit/(loss) before taxes	**6,814**	**(43)**	**798**	**7,569**
Income taxes	(873)	(167)	(29)	(1,068)
Net profit/(loss) for the year	**5,942**	**(210)**	**769**	**6,501**

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Consolidated
Total non-current assets	49,744	176,931	9,754	236,430
Total current assets	129,319	35,058	2,692	167,070
Total non-current liabilities	(142,684)	(18,798)	0	(161,482)
Total current liabilities	(69,051)	(9,715)	(249)	(79,015)

As required by IFRS8, information on the geographical distribution of revenues is also provided below. Specifically, 4 regions have been identified: EMEA, USA, APAC and ROW. The breakdown of revenues by region are provided below:

	2021	2020	Change	Change %
EMEA	83,862	52,106	31,756	60.95%
of which Italy	*58,042*	*40,794*	*17,248*	*42.28%*
USA	20,801	19,482	1,319	6.77%
APAC	6,744	3,515	3,229	91.85%
Rest of the world	887	1,040	(153)	-14.74%
Revenues by region	**112,293**	**76,143**	**36,150**	**47.48%**

Revenues rose from Euro 76,143 thousand in 2020 to Euro 112,293 thousand in 2021, increasing 47.48% on the previous year. Revenue growth was primarily concentrated in the EMEA and APAC regions.

In particular, the breakdown of revenues was as follows:

- in the EMEA area, revenues rose Euro 31,756 thousand (+60.95%), mainly as a result of higher revenues from Italy, which reports an increase in revenues compared to the previous year in the Wellness (+Euro 4,009 thousand), Vending (+Euro 4,408 thousand), Industrial (+Euro 2,533 thousand) and Smart Devices (+Euro 5,350 thousand) sectors. The increase in revenues in EMEA was also influenced by the acquisition of the Garz&Fricke Group (now SECO Northern Europe), which contributed revenues of Euro 12,378 thousand in the fourth quarter of the year.
- in the U.S. region substantially stable revenues compared to 2020;
- in the APAC region revenues rose Euro 3,229 thousand (+91.85%), mainly due to the results of the subsidiary Fannal Electronics;
- in the Rest of the World substantially stable revenues compared to 2020.

Risk management policies

IFRS 7 requires additional disclosure in the financial statements which permits readers to assess:

- the significance of financial instruments with reference to the Balance Sheet and the Group's earnings;
- the nature and amount of risks deriving from financial instruments to which the Group is exposed during the year and at the reporting date, and the manner in which they are managed.

The requirements of the standard supplement the criteria for the recognition, measurement and presentation of financial assets and liabilities in the financial statements contained in IAS 32 "Financial instruments: presentation and disclosure" and IFRS 9 "Financial instruments: recognition and measurement". The present section therefore provides supplementary disclosures as required by IFRS 7.

Group operations are exposed to a series of financial and operating risks which may impact the balance sheet/financial position, the result and the cash flows, through the relative impact on financial instrument transactions. These risks may be summarized as follows:

a) credit risk;

b) liquidity risk;

c) interest rate risk;

d) exchange rate risk.

Overall responsibility for the creation and supervision of the Group's financial and operating risk management system lies with the Board of Directors. The various organization units functionally responsible for the operational management of each type of risk report to the Board of Directors.

Under guidelines issued by the Board of Director and for each specific risk, these units define the tools and techniques to cover the risks and/or transfer them to third parties (insurance) and evaluate risks neither covered nor insured.

The level of the Group's exposure to the various categories of financial risk identified is commented upon below.

Credit Risk

The Group is exposed to the risk that its customers may be late or not comply with their payment obligations, according to the agreed terms and conditions and that the internal procedures adopted to assess credit standing and the solvency of customers are not sufficient to ensure collection. The occurrence of such risks could have an adverse effect on the Group's financial position, results of operations and cash flows.

To mitigate this risk, considered contained on the approval of the Consolidated Financial Statements in relation to trade receivables from third parties, the Group controls the credit quality of the counterparty based on internal or external ratings and sets credit limits that are monitored regularly.

Liquidity risk

The Group is exposed to the risk of not being able to obtain new loans or the renewal of existing ones on terms that are not worse than those already in place, or it may be unable to meet its covenant commitments under existing loan agreements. Moreover, breach of the covenants provided for in certain existing loan agreements could, in certain cases (due to cross-default clauses), lead to forfeiture of the benefit of the term with respect to other loan agreements. The occurrence of such risks could have a material adverse effect on the Group's financial position, results of operations and cash flows.

Cash flows relating to the Group's financial liabilities by maturity are presented below:

(in Euro thousand)	31/12/2021	Total cash flows	Less than 1 year	Between 1 and 5 years	Beyond 5 years
Non-current financial payables	138,083	140,996	0	68,652	72,344
Non-current financial *lease* liabilities	6,964	6,964	0	5,600	1,364
Total non-current financial liabilities	**145,047**	**147,960**	**0**	**74,252**	**73,708**
Current financial liabilities	11,501	11,501	11,501	0	0
Current portion of non-current financial payables	10,197	10,197	10,197	0	0
Current financial *lease* liabilities	1,552	1,552	1,552	0	0
Total current financial liabilities	**23,250**	**23,250**	**23,250**	**0**	**0**
Total financial liabilities	**168,297**	**171,210**	**23,250**	**74,252**	**73,708**

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions.

In view of the Group's current net debt and its current ability to generate positive cash flows from operating activities, liquidity risk is assessed as low in the economic climate in which the Group finds itself at the time of approving these Consolidated Financial Statements. The Group has credit facilities granted by the banking system, which are adequate in relation to its operating needs.

The Group’s cash flows, financing requirements and liquidity are carefully monitored and managed by:

- maintaining an appropriate level of available liquidity;
- diversifying the methods used to raise financial resources;
- arranging appropriate credit facilities;
- monitoring prospective liquidity conditions, in relation to the business planning process.

Interest rate risk

The Group is subject to interest rate fluctuation risk related to its debt. Any changes in interest rates (EURIBOR) could affect the increase or decrease in financing costs.

In the event of significant fluctuations in interest rates, borrowing costs arising from loan agreements could also increase significantly. To the best of the Group's knowledge, no material events of the type described above occurred during the year 2021.

The Group regularly assesses its exposure to the risk of changes in interest rates and manages these risks through the use of derivative financial instruments, which are formally designated as hedging relationships. The use of derivative financial instruments is reserved exclusively for the management of exposure to fluctuations in interest rates connected with monetary cash flows.

At December 31, 2021, the following hedging derivatives are outstanding:

Type	ID	Notional contract	Notional at the reporting date	Variable rate	Fixed rate	Maturity	Fair value at December 31, 2021
CAP	MMX_29068750	24,000,000	24,000,000	Euribor 6M	0.202%	11/10/2028	(174,940)
CAP	MMX_29068675	16,000,000	16,000,000	Euribor 6M	0.061%	11/10/2027	(78,778)
CAP	43432008	16,000,000	16,000,000	Euribor 6M	0.061%	11/10/2027	(77,907)
CAP	43423339	24,000,000	24,000,000	Euribor 6M	0.202%	11/10/2028	(173,159)
CAP	26630416	8,000,000	8,000,000	Euribor 6M	0.061%	11/10/2027	(39,559)
CAP	26630417	12,000,000	12,000,000	Euribor 6M	0.202%	11/10/2028	(88,881)
CAP	134247400000	12,000,000	12,000,000	Euribor 6M	0.202%	11/10/2028	(88,642)
CAP	134246600000	8,000,000	8,000,000	Euribor 6M	0.061%	11/10/2027	(40,204)
CAP	197795	4,472,289	4,472,289	Euribor 6M	N/A	31/12/2025	34,498
Total		**124,472,289**					**(727,572)**

Exchange rate risk

The Group also carries out its activities outside the Eurozone. Moreover, the financial statements of foreign subsidiaries outside the EU are drawn up in local currency and converted into Euro. Therefore, the Group is exposed to the risk of significant fluctuations in exchange rates: (i) the so-called economic exchange rate risk, i.e. the risk that revenues and costs denominated in currencies other than the euro take on different values compared to the time at which the price conditions were defined; (ii) the so-called translation exchange rate risk, arising from the fact that SECO - although it prepares its financial statements in euros - holds controlling interests in companies that prepare their financial statements in different currencies and, consequently, carries out translation operations on assets and liabilities expressed in currencies other than the euro.

At the date of preparation of these Financial Statements, the Group does not adopt instruments to hedge fluctuations in exchange rates. In order to manage exchange rate risk, the Group carries out purchase and sale transactions in the same local currency through current accounts opened in the individual countries.

Risk associated with ICT Systems

With reference to the category under consideration, the main risk factors that could compromise the availability of the Group's ICT systems include cyber attacks, which may result in the possible interruption of production and sales support activities or compromise the confidentiality, integrity and availability of the personal data managed by the Group. In order to mitigate the occurrence of such risks, Seco has introduced a centralized control system to improve the Group's IT security.

Financial assets and liabilities

Financial assets and liabilities by valuation method applied are presented below:

Financial assets at 31/12/2021	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	1,676	0	125	1,801
Trade receivables	0	0	36,696	36,696
Other receivables	0	0	3,491	3,491
Total financial assets as per IFRS 7	**1,676**	**0**	**40,312**	**41,988**

Financial assets at 31/12/2020	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	89	0	157	246
Trade receivables	0	0	15,029	15,029
Other receivables	0	0	2,557	2,557
Total financial assets as per IFRS 7	**89**	**0**	**17,743**	**17,832**

Financial liabilities at 31/12//2021	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial *lease* liabilities	0	0	6,964	6,964
Non-current financial payables	0	0	138,083	138,083
Total non-current financial liabilities	**0**	**0**	**145,047**	**145,047**
Current financial liabilities	762	0	10,739	11,501
Current financial *lease* liabilities	0	0	1,552	1,552
Current portion of non-current financial payables	0	0	10,197	10,197
Total current financial liabilities	**762**	**0**	**22,489**	**23,251**
Trade payables	0	0	39,949	39,949
Other non-current payables	600	0	12	612
Other current payables	0	0	12,294	12,294
Total financial liabilities as per IFRS 7	**1,362**	**0**	**219,791**	**221,153**

Financial liabilities at 31/12/2020	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial *lease* liabilities	0	0	1,194	1,194
Non-current financial payables*	0	0	26,087	26,087
Total non-current financial liabilities	**0**	**0**	**27,281**	**27,281**
Current financial liabilities	21	0	8,519	8,540
Current financial *lease* liabilities	0	0	537	537
Current portion of non-current financial payables	0	0	5,163	5,163
Total current financial liabilities	**21**	**0**	**14,219**	**14,240**
Trade payables	0	0	15,289	15,289
Other non-current payables	600	0	8	608
Other current payables	206	0	5,187	5,393
Total financial liabilities as per IFRS 7	**827**	**0**	**61,984**	**62,811**

Guarantees provided and other contractual commitments

At December 31, 2021, the Company has not undertaken guarantees or contractual commitments beyond those reflected in the balance sheet.

Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

In relation to the provisions of Article 1, paragraph 125 of Law 124/2017, the following table shows the sums of money received during the financial year by way of grants, contributions, paid assignments and in any case economic benefits of any kind from the public administrations and the entities referred to in paragraph 125 of the same article. They are shown below according to the cash principle.

Grantor	Description	Amount paid in 2021	Reporting period
TUSCANY REGION	Employment support	11,792	2020-2021
TUSCANY REGION	Adamo Project Tender (reporting period May July 2019)	80,279	05/2018 - 07/2019
FONDIMPRESA	Training contribution	10,950	2020

Proposal for the allocation of the profit of the Parent Company

SECO's Board of Directors will propose to the Shareholders' Meeting the allocation of the profit for the year to the Extraordinary Reserve in the amount of Euro 6,500,526.27.

3.2| Notes to the Balance Sheet

(1) Property, plant & equipment

Category	31/12/2021	31/12/2020	Change
Land & buildings	4,432	4,549	(116)
Plant & machinery	8,230	6,418	1,812
Other tangible assets	3,955	2,175	1,780
Assets in progress	180	131	49
Total property, plant and equipment	**16,798**	**13,272**	**3,526**

The main investments made by the Group in the year totaled Euro 6,174 thousand and mainly concerned the "Plant and Machinery" and "Other tangible assets" categories.

Plant and machinery increased by Euro 3,578 thousand, following the acquisition of new machinery to support the production growth of SECO S.p.A. and Fannal, combined with the effect of the business combinations in the year of Euro 2,934 thousand; while the Other assets account increased by Euro 2,514 thousand as a result of the continual investments made in the equipment necessary for R&D to support the development of new products and updating to the latest sector technological standards, this increase partly derives from the business combinations in the present year for Euro 1,413 thousand.

The relative movements in the year are reported below:

	Land and buildings	Plant & machinery	Other tangible assets	Assets in progress	Total
Historical cost 31/12/2020	5,007	10,455	3,875	131	19,467
Increases	51	3,578	2,514	31	6,174
Decreases	0	(272)	(80)	19	(333)
Historical cost 31/12/2021	**5,058**	**13,761**	**6,309**	**180**	**25,308**
Accumulated depreciation 31/12/2020	(458)	(4,037)	(1,700)	0	(6,195)
Depreciation	(167)	(1,705)	(728)	0	(2,601)
Decreases	0	211	74	0	285
Accumulated depreciation 31/12/2021	**(625)**	**(5,531)**	**(2,354)**	**0**	**(8,511)**
Net value 31/12/2020	4,549	6,418	2,175	131	13,272
Net value 31/12/2021	**4,432**	**8,230**	**3,955**	**180**	**16,798**

(2) Intangible assets

Category	31/12/2021	31/12/2020	Change
Development costs	16,497	8,319	8,178
Software	3,910	1,929	1,981
Customer List	32,670	0	32,670
Other intangible assets	274	66	208
Assets in progress	3,016	2,682	334
Total intangible assets	**56,367**	**12,996**	**43,371**

The increases in the account total Euro 49,735 thousand and mainly concern i) the value of the Customer list from the acquisition of the Garz & Fricke Group for Euro 33,000 thousand; ii) the acquisition of new software, principally concerning the R&D function, for Euro 1,463 thousand, in addition to software, for Euro 1,469 thousand, acquired through the business combination relating to Oro Networks LLC and Piri.ai Inc., made by the Group through SECO Mind USA LLC. For further details, reference should be made to the "Business combinations by the Group" paragraph and iii) the recognition of the development costs of the projects for "Standard" products (catalogue products) with long-term utility, incurred in the year for Euro 8,156 thousand, in addition to development costs for Euro 4,099 thousand, acquired through business combinations in the year. The development costs of "custom" products (developed for a specific customer) are fully expensed in the year.

Movements during the year are shown below:

Category	Net value 31/12/2020	Increases	Decreases	Amortization	Net value 31/12/2021
Development costs	8,319	12,255	0	(4,077)	16,497
Software	1,929	2,931	0	(977)	3,883
Customer List	0	33,000	0	(330)	32,670
Other intangible assets	66	432	0	(197)	301
Assets in progress	2,682	1,117	(783)	0	3,016
Total intangible assets	**12,996**	**49,735**	**(783)**	**(5,582)**	**56,367**

Intangible assets were recognized at purchase or internal production costs, including directly attributable accessory costs, and where amortized on a straight-line basis in relation to their residual possibility of use. The value of fixed assets at the end of the year has been compared with the residual cost of such assets to be amortized, in order to record the lower of these values. There are no intangible assets whose duration can be defined as "indefinite". The Directors have made no changes to the amortization criteria and coefficients applied.

Capitalized costs recognized related to the development activities undertaken by the Group, and refer to development projects during the year, such as “Axiom”, “Inasse”, “Seis” and “Biorespira” (pulmonary ventilator), relating to the updating of the parent company Seco’s catalogue. These development costs, which are expected to benefit the Group for several years, are posted to the assets of the balance sheet, as the Group has ascertained that they will be useful in the future, there is an objective correlation between them and the related benefits that the Group will enjoy, and the recoverability of such costs can be reasonably estimated. Development costs for the application of research are related to specific, clearly defined products or processes and are identifiable and measurable. The projects for which research is undertaken, are executable and technically feasible for which the Group has the necessary resources. Finally, these projects are considered recoverable, as the Group expects to earn revenues from them in excess of the costs incurred for the research and other development costs.

Assets in progress includes costs incurred in the present year, or in previous years, for development activities in progress. The projects relate to clearly defined products or processes, which will be useful in the future; there is an objective correlation with the related future benefits to be enjoyed by the company and their recoverability can be estimated with reasonable certainty. These costs relate to development activities (i.e. the application of research results to other knowledge owned or acquired for the production of materials, devices, processes and systems) aimed at a specific standard product.

(3) Right-of-use

Category	31/12/2021	31/12/2020	Change
Land & buildings	6,672	233	6,439
Plant & machinery	2,102	1,650	452
Depreciation	1,121	29	1,092
Right-of-use	**9,895**	**1,912**	**7,983**

Right-of-use includes lease contracts for land and buildings, motor rental and machinery.

The increase in the account, amounting to Euro 7,983 thousand refers i) to the net effect of the gradual recording of depreciation on contracts already in place at the beginning of the year and the signing in the first half of 2021 of three new leasing contracts referring to a new optical inspection machine used in the production process and two 3D printers used for prototyping, ii) to the effect of business combinations during the year, specifically the impact derives mainly from the Garz & Fricke Group.

Changes in right-of-use in 2021 are presented below:

	Land and buildings	Plant & machinery	Other tangible assets	Total
Historical cost 31/12/2020	789	2,476	96	3,361
Increases	6,823	1,052	1,128	9,004
Decreases	(7)	(91)	(30)	(128)
Historical cost 31/12/2021	**7,605**	**3,438**	**1,194**	**12,236**
Accumulated depreciation 31/12/2020	(556)	(826)	(67)	(1,449)
Depreciation	(377)	(543)	(35)	(954)
Decreases	0	33	29	62
Accumulated depreciation 31/12/2021	**(933)**	**(1,336)**	**(73)**	**(2,342)**
Net value 31/12/2020	233	1,650	29	1,912
Net value 31/12/2021	**6,672**	**2,102**	**1,121**	**9,895**

(4) Goodwill

Goodwill, in application of IFRS 3, is initially recognized at cost represented by the excess of the total amount paid and the amount recognized for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. It represents an intangible asset with indefinite life. For each business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under service expenses.

Goodwill is not amortized but subjected annually, or more frequently if certain events or changed circumstances indicate the existence of a permanent loss in value, to impairment tests in accordance with IAS 36. After initial recognition, goodwill is measured at cost net of accumulated impairment. When all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or loses generated by such sale.

Category	31/12/2021	31/12/2020	Change
Goodwill	148,484	7,066	141,418
Total Goodwill	**148,484**	**7,066**	**141,418**

The balance at December 31, 2021 increased Euro 141,418 thousand compared to the end of the previous year. The increase during the year is attributable to investments made during the year. For further information on corporate transactions carried out by the Group during the year, reference should be made to the section "Business Combinations by the Group".

The goodwill was allocated to the cash generating units ("CGU") as follows: i) Seco CGU (concerning the companies consolidated at December 31, 2020) for Euro 7,066 thousand; ii) Seco Mind US CGU (identified following the acquisition of Oro Networks LLC and Piri.ai in 2021) for Euro 7,909 thousand and iii) Seco Northern Europe CGU (identified following the acquisition of the Garz & Fricke Group in 2021) for Euro 133,509 thousand.

The recoverability of the amounts recorded is verified by comparing the net book value of the cash generating units with the recoverable value (value in use). This recoverable value is represented by the present value of future cash flows that are estimated to derive from the continuous use of the assets referred to the individual cash generating unit and the terminal value attributable to the same. The recoverability of goodwill is tested at least once a year (as of December 31) even in the absence of indicators of impairment.

The main assumptions used by the Group to determine future cash flows, relating to a time horizon of 3 years, and the consequent recoverable value (value in use) refer to:

- the future cash flows expected from the 2022-2024 Business Plans, approved by the Board of Directors on March 15, 2022, using an explicit three-year period to which the estimated Terminal Value is added;
- the WACC discount rate;
- In addition to the explicit period, a growth rate (g rate) was estimated.

Specifically, for the discounting of cash flows, the Group adopted a discount rate (WACC) that varies from one CGU to another, reflecting current market valuations of the cost of money and taking account of the specific risks of the activity and geographical area in which, the CGU operates. The WACC was identified in its post-tax configuration. The latter is equal to the weighted average of the cost of equity, calculated on the basis of the Capital Asset Pricing Model ("CAPM") and the cost of debt capital. As required by IAS 36, the WACC was determined with reference to the sector operating risk and the financial structure of a sample of listed companies comparable in terms of risk profile and business sector.

In the discounted future cash flow model, a terminal value is included at the end of the cash flow projection period to reflect the residual value that each CGU is expected to generate. The terminal value represents the present value, at the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, and has been determined using a growth rate (g rate) differentiated by CGU to reflect the different growth potential of each CGU.

	Seco	Seco NE	Seco Mind US
WACC	8.6%	6.6%	8.7%
g rate	1.5%	2%	1.5%

Based on the assumptions described above, the analyses performed show a recoverable amount at December 31, 2021 that is greater than the carrying amount of each CGU.

Therefore, there are no reasons for the impairment of goodwill recognized at December 31, 2021.

However, although the directors consider that the assumptions used are reasonable, there is a possibility that significant changes will occur in any of the key assumptions described above, depending on the nature of the forecasts.

Factors that could lead to a reduction include:

- a significant deterioration in actual performance compared to forecasts;
- a deterioration in the operating and financial environment and in the markets in which the Group operates.

To support their assessments, the Directors carried out sensitivity analyses on the results of the test with respect to changes in the basic assumptions (growth rate in the processing of the terminal value and discount rate) that condition the value in use of the CGUs. Even in the event of a 0.5% positive or negative change in the WACC and g rate used, the analyses on the Seco and Seco Mind US CGU's would not lead to an impairment. With regard to the Seco Northern Europe CGU, the analyses carried out by Management, with the support of an independent expert, on the value in use at December 31, 2021 are in line with the fair value identified at the time of acquisition, which was carried out recently with respect to the reporting date. Therefore, in the case of a 0.25% change in the WACC and g rate used, the analyses would not lead to an impairment. With regard to the Seco Northern Europe CGU, it is however useful to underline that the business plan used for the purpose of the impairment test is the stand alone plan of the companies included in this CGU prepared by the counterparty at the time of the acquisition; given the fact that the acquisition was completed very recently to the reporting date of this document, this business plan does not include all the possible upsides deriving from the inclusion of the entity acquired within the Seco Group.

Based on this analysis, the Directors believe that it is reasonable that, even with changes to the key assumptions described above, the recoverable amount of the CGU's will not fall below their carrying value. Therefore, there is no reason for impairment of goodwill at December 31, 2021.

Given that, as mentioned, the recoverable amount has been determined on the basis of estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods. Given the current economic environment, the various factors used in drawing up the estimates could be revised; the Group will constantly monitor these factors and the existence of impairments.

(5) Non-current financial assets

Category	31/12/2021	31/12/2020	Change
Non-current financial assets	1,767	236	1,531
Assets for derivative financial instruments	34	10	25
Total non-current financial assets	**1,801**	**246**	**1,556**

Total non-current financial assets increased from Euro 246 thousand to Euro 1,801 thousand, mainly due to the fair value measurement of the indirect minority shareholding of 12.57%, equal to Euro 1,562 thousand, by the Chinese subsidiary Seco Microelectronics in a project company for the construction of the new production plant in Fannal.

(6) Deferred tax assets

Category	31/12/2021	31/12/2020	Change
Deferred tax assets	2,357	623	1,734
Total deferred tax assets	**2,357**	**623**	**1,734**

Deferred tax assets, the recognition of which is subject to the reasonable certainty of their recoverability, corroborated also by the results of the impairment test to which goodwill is subject annually, are determined on the basis of the tax rates in force, corresponding to those that will be applied at the time these differences are reversed. It should be noted that tax assets relating to the actuarial valuations of defined-benefit plans and the effects of consolidation adjustments are charged directly to equity. Total deferred tax assets increased from Euro 623 thousand at December 31, 2020 to Euro 2,357 thousand at December 31, 2021, mainly due to deferred tax assets arising from the acquisition of the Garz & Fricke Group. The Group's directors assessed the recoverability of the deferred tax assets carried in the financial statements on the basis of the results in the Business Plan. It should be noted that, in keeping with the principle of prudence, the Directors decided not to recognize the tax benefits deriving from losses carried forward.

(7) Other non-current assets

The account, amounting to Euro 834 thousand at December 31, 2021 (Euro 492 thousand at December 31, 2020), mainly includes the accounting effect of Euro 230 thousand, following the merger project of the former Ispirata S.r.l., Hopenly S.r.l. and Aidilab S.r.l. (now Seco Mind S.r.l.), on the agreements with the old shareholders of the merged companies.

(8) Inventories

Inventories at December 31, 2021 totaled Euro 61,685 thousand, increasing Euro 30,268 thousand on the previous year. The breakdown of this account is shown in the table below:

Category	31/12/2021	31/12/2020	Change
Raw materials	49,369	23,763	25,605
Semi-finished products	7,959	6,265	1,694
Finished products	3,886	2,300	1,586
Advances to suppliers	2,399	297	2,102
Inventory obsolescence provision	(1,927)	(1,207)	(719)
Total inventories	**61,685**	**31,417**	**30,268**

The increase recorded in the year is mainly due to: (i) the difference in the consolidation scope compared to December 31, 2020 as a result of the M&A transaction of the Garz & Fricke Group, which increased the value of inventories within the Group at December 31, 2021 to Euro 13,877 thousand; (ii) the increase in the item "Raw materials", as the Group, in order to cope with the progressive extension of delivery times due to the continuing global economic situation caused by the pandemic still in progress, chose to increase the safety stock levels of the warehouse in order to allow the regular progress of internal production in view of an ever-growing order portfolio.

(9) Trade receivables

Category	31/12/2021	31/12/2020	Change
Trade receivables	37,420	15,421	21,999
Doubtful debt provision	(724)	(393)	(331)
Total trade receivables	**36,696**	**15,028**	**21,668**

Trade receivables at December 31, 2021 amounted to Euro 36,696 thousand, up Euro 21,668 thousand compared to the end of the previous year. The increase is mainly due to: (i) the increase in trade receivables of Seco SpA (+81%) and Seco USA (+93%) in line with the rise in turnover recorded in 2021 due to both higher volumes of the Group's historical customers and the acquisition of new customers; (ii) the difference in the consolidation scope compared to December 31, 2020 due to the M&A transaction of the Garz & Fricke Group, Piri.ai and Seco Mind USA, the latter having an impact of Euro 6,375 thousand on the net increase in trade receivables.

(10) Tax receivables

Category	31/12/2021	31/12/2020	Change
VAT	3,568	4,666	(1,098)
Income taxes	383	1,298	(915)
Others	2,422	3,116	(694)
Total tax receivables	**6,373**	**9,080**	**(2,707)**

Tax receivables at December 31, 2021 amounted to Euro 6,373 thousand, down Euro 2,707 thousand compared to the end of the previous year. This decrease was mainly due to the collection and the compensation of the VAT credit generated in 2020 by SECO SpA.

(11) Other receivables

Category	31/12/2021	31/12/2020	Change
Advances to suppliers	496	510	(14)
Other receivables	2,125	444	1,681
Prepayments and accrued income	870	1,602	(732)
Total other receivables	**3,491**	**2,556**	**935**

Other receivables at December 31, 2021 amounted to Euro 3,491 thousand and increased Euro 935 thousand on the previous year. This increase is due to the combined effect of: (i) the increase in other receivables at December 31, 2021 compared to the previous year, mainly due to the recognition of the receivable recorded following the Group's participation in the SEIS call for tenders and an increase in the consolidation scope; (ii) the decrease in prepayments and accrued income at December 31, 2021 compared to the previous year, in which costs attributable to the listing project were recorded; these costs in May 2021 were then recorded as a reduction of equity once the listing had been completed.

(12) Cash and cash equivalents

This item includes the cash and cash equivalents of the companies included in the consolidation scope.

Category	31/12/2021	31/12/2020	Change
Cash	21	14	7
Cash equivalents	58,804	23,664	35,140
Total cash and cash equivalents	**58,825**	**23,678**	**35,147**

Refer to the consolidated cash flow statement for an analysis of changes in financial resources.

(13) Equity

Movements in and breakdown of equity are shown in the Statement of Changes in Consolidated Equity, to which reference should be made.

SHARE CAPITAL - At December 31, 2021, the authorized share capital totaled Euro 1,127,934 and was divided into 110,451,131 shares. The paid-up share capital at December 31, 2021 amounted to Euro 1,073,934.

LEGAL RESERVE - The legal reserve, amounting to Euro 289 thousand at December 31, 2021 is unchanged compared to December 31, 2020.

SHARE PREMIUM RESERVE - The share premium reserve, amounting to Euro 118,981 thousand at December 31, 2021, recorded a net increase of Euro 104,200 thousand, mainly as a result of the successful completion of the stock exchange listing process which took place on May 5, 2021; in particular, the increase resulting from the issue of new shares to service the listing led to an increase in the share premium reserve of Euro 99,630 thousand, net of the costs incurred directly attributable to the listing transaction for Euro 9,377 thousand. In addition, this reserve increased by Euro 14,974 thousand following the capital increase to service the acquisition of the Garz & Fricke Group, netted of the costs incurred directly attributable to the issue of these new shares for Euro 3,296 thousand.

OTHER RESERVES - Other reserves, amounting to Euro 20,962 thousand at December 31, 2021, refer to:

- Euro 22,878 thousand (Euro 23,547 thousand at December 31, 2020) to non-distributable reserves;
- Euro 2,535 thousand (Euro 1,623 thousand at December 31, 2020) to the accounting of the incentive plans; it is noted that following the listing i) incentive plans were granted to employees for the assignment of 5,280,000 ordinary shares of the Company, subject to the retention of the employment relationship at the end of the vesting period; ii) 196,974 ordinary shares of the Company were granted free of charge to Group employees.
- Euro 3,690 thousand (reserve not present at December 31, 2020) negative treasury share purchase plan reserve. The number of treasury shares held by the Company at December 31, 2021 is 410,000 shares.
- Negative Euro 761 thousand (reserve not present at December 31, 2020) to the cash flow hedge reserve.

TRANSLATION RESERVE - The translation reserve, amounting to Euro 457 thousand at December 31, 2021, includes exchange differences from the translation of financial statements of foreign subsidiaries.

FTA RESERVE - The First-Time Adoption reserve related to the adoption of international accounting standards, which was negative for Euro 371 at December 31, 2021, is unchanged from December 31, 2020.

RESERVE FOR LOSSES RECORDED IN OCI - The reserve, negative for Euro 146 thousand at December 31, 2021, includes the result of discounting employee benefits.

DIVIDENDS - In 2021 no dividends were distributed.

Incentive plans

At December 31, 2021, incentive plans have been granted, the main features of which are shown below. These plans provide for the granting of rights for the vesting of shares with regular dividend entitlement, subject to the retention of the employment/management relationship at the end of the vesting period, in addition to the achievement of any performance objectives. All of the plans fall into the category of equity-settled plans, i.e., involve equity awards.

The main features of the incentive plans can be summarized as follows:

(in Euro)	Management 19 Shares	Management 20 Share	Management Performance Share	IPO Management Plan
Grant date	30/11/2020	30/11/2020	30/11/2020	26/04/2021
Vesting period	30/11/2020 - 30/11/2021	30/11/2020 - 30/06/2024	30/11/2020 - 30/06/2024	26/04/2021 - 26/04/2024
Period of exercise/allocation	From May 2021	From May 2021 in stages	From June 2024	From May 2021 in stages
No. rights	38	50	12	5.280.000
Fair value	724,341	9.370	204,809	1.591.324
Translation reserve	1:1,000	1:1.000	Minimum 1:2.800 Maximum 1:3.200	1:1

Incentive plans are recorded in the financial statements at their fair value in accordance with IFRS 2.

The following is a summary of changes in incentive plans:

	Management 18 Shares	Management 19 Shares	Management 20 Shares	Management Performance Shares	IPO Management Plan	Total
Rights in circulation at 01/01/2021	**236**	**38**	**50**	**12**	**0**	**336**
Allocated during the year	0	0	0	0	5,280,000	5,280,000
Exercised during the year	(236)	(38)	(25)	0	0	(299)
Expired during the year	0	0	0	0	0	0
Rights in circulation at 31/12/2021	**0**	**0**	**25**	**12**	**5,280,000**	**5,280,037**

Non-controlling interests equity

Non-controlling interest equity amounted to Euro 17,607 thousand at December 31, 2021 and consists of minority interests in:

- SECO Asia Limited, which is 49% owned by third parties;

- SECO Microelectronics, 49% owned by third parties;
- Fannal Electronics Co. Ltd, owned 72% by third parties;
- Seco Mind S.r.l., owned 33.23% by third parties;
- Seco Mind US, owned 30% by third parties;
- Piri.ai, Inc, owned 30% by third parties.

Reconciliation Parent Company and Consolidated equity and result

Euro thousands	Share capital and reserves	Net Profit	Equity
Equity SECO SpA	(144,204)	(2,470)	(146,674)
Net result and equity of the consolidated companies	(44,632)	(5,690)	(50,322)
Elimination carrying amount of equity investments	143,969	(47)	143,922
PPA Fannal Electronics	(2,971)	0	(2,971)
PPA InHand Electronics	(1,656)	0	(1,656)
PPA SECO Mind	(1,778)	15	(1,762)
PPA Garz&Fricke Group	(105,863)	1,473	(104,390)
Elimination effects of inter-company transactions	634	218	851
Reserves and profit on non-controlling interests	15,256	2,351	17,607
Group Equity	**(141,246)**	**(4,149)**	**(145,396)**
Non-Controlling Interests Equity	(15,256)	(2,351)	(17,607)
Total Equity	**(156,502)**	**(6,501)**	**(163,003)**

(14) Employee benefits

Category	31/12/2021	31/12/2020	Change
Post-employment benefit provision employees	(2,795)	(2,463)	(332)
Post-employment benefit provision directors	(270)	(510)	241
Total employee benefits	**(3,065)**	**(2,973)**	**(92)**

The account includes the post-employment benefit payable and the Group's post-employment benefit payable matured by the directors and the employees of the Italian companies at December 31, 2021. The overseas companies do not recognize employee benefits or other components attributable to long-term benefits.

The director's post-employment benefit payable reduced by Euro 241 thousand at December 31, 2021 compared to the previous year, due to the departure of one of the two directors before the Group's listing.

(15) Provisions for risks

Category	31/12/2021	31/12/2020	Change
Agent's supplementary indemnity provision	(37)	(37)	0
Others	(692)	(52)	(641)
Total other risks	**(729)**	**(89)**	**(641)**

The account consists of the agent's supplementary indemnity provision for Euro 37 thousand and provisions for risks for probable liabilities for Euro 52 thousand. The item "Others" changed compared to December 31, 2020 by Euro 641 thousand, deriving entirely from the acquisition of the Garz & Fricke Group and concerns the product liability provision.

(16) Deferred tax liabilities

At December 31, 2021, deferred tax liabilities totaled 12,029 thousand, increasing Euro 11,986 thousand from the end of the previous year. This effect is mainly attributable to the recognition of deferred taxes on the value of the Customer List that emerged during the purchase price acquisition of the Garz&Fricke Group.

(17) Non-current financial payables

Category	31/12/2021	31/12/2020	Change
Non-current financial payables	(138,083)	(26,087)	(111,996)
Total non-current financial payables	**(138,083)**	**(26,087)**	**(111,996)**

This item refers to the medium/long-term portion of outstanding loans. The Group has subscribed additional loans with respect to those in place at December 31, 2020 in the amount of Euro 124,300 thousand to finance the acquisition of the Garz & Fricke Group.

Some bank loans include compliance with covenants in the contract. These covenants are to be calculated, on the basis of the individual contractual provisions, on the figures in the Parent Company's separate or consolidated financial statements, and at December 31, 2021 have been complied with.

A number of the loans subscribed have a variable rate. The use of derivative financial instruments is reserved for the management of interest rate fluctuations connected to monetary cash flows and speculative use is not employed or permitted. The only instruments used for this purpose are CAP's.

(18) Non-current financial *lease* liabilities

Category	31/12/2021	31/12/2020	Change
Non-current financial *lease* liabilities	(6,964)	(1,194)	(5,770)
Total Non-current financial *lease* liabilities	**(6,964)**	**(1,194)**	**(5,770)**

The account refers to the present value of the medium/long term portion of the financial liabilities assumed by the Group as a result of accounting for *lease* and rental agreements in accordance with IFRS 16.

The net increase is due to the stipulation, during the first half of 2021, of three new leasing contracts referring to a new optical inspection machine used in the production process and two 3D printers used for prototyping activities and the entry of the Garz & Fricke Group into the consolidation scope with the value of non-current liabilities deriving from leases for Euro 5,533 thousand.

(19) Other non-current payables

Category	31/12/2021	31/12/2020	Change
Other non-current payables	(612)	(608)	(4)
Total other non-current payables	**(612)**	**(608)**	**(4)**

Other non-current payables at December 31, 2021 mainly include the deferred consideration for the acquisition of Ispirata of Euro 600 thousand.

(20) Current financial liabilities

Category	31/12/2021	31/12/2020	Change
Current financial liabilities	(11,501)	(8,540)	(2,961)
Total current financial liabilities	**(11,501)**	**(8,540)**	**(2,961)**

The account includes credit lines, current account overdrafts, credit card payables, payables for advances on invoices and short-term loans falling due within one year for operational purposes existing at December 31, 2021.

(21) Current portion of non-current financial payables

The account includes the instalments on existing loans due in the next 12 months.

Category	31/12/2021	31/12/2020	Change
Current portion of non-current financial payables	(10,197)	(5,163)	(5,034)
Current portion of non-current financial payables	**(10,197)**	**(5,163)**	**(5,034)**

(22) Current financial *lease* liabilities

Category	31/12/2021	31/12/2020	Change
Current financial *lease* liabilities	(1,552)	(537)	(1,015)
Total current financial *lease* liabilities	**(1,552)**	**(537)**	**(1,015)**

The account includes the present value of installments due within the next 12 months in relation to *lease* and rental agreements entered in accordance with IFRS 16.

(23) Trade payables

Category	31/12/2021	31/12/2020	Change
Trade payables	(39,949)	(15,289)	(24,659)
Total trade payables	**(39,949)**	**(15,289)**	**(24,659)**

The account includes accounts payable for production supplies, capital expenditures and services received at December 31, 2021. As already highlighted in Note (8) regarding inventories, the increase in trade payables is due to the Group's decision to increase safety stock against the continuous lengthening of delivery times by suppliers of silicon and components.

(24) Other current payables

The increase in "Other current payables" is mainly linked to: (i) other payables related to exit bonuses deriving from the acquisition of the Garz &Fricke Group for Euro 3,161 thousand; (ii) payables to social security institutions and personnel for Euro 2,745 thousand in relation to the increase in the number of employees from 443 units at December 31, 2020 to 593 units at December 31, 2021.

Category	31/12/2021	31/12/2020	Change
Accrued liabilities	(838)	(623)	(215)
Payables to social security institutions	(6,432)	(3,687)	(2,745)
Other payables	(3,348)	(506)	(2,842)
Advances - contract liabilities	(1,676)	(577)	(1,099)
Total other current liabilities	**(12,294)**	**(5,393)**	**(6,901)**

(25) Tax payables

Category	31/12/2021	31/12/2020	Change
Income tax payables	(1,844)	(379)	(1,465)
Amounts due to tax authorities	(1,677)	(1,108)	(569)
Total Tax payables	**(3,521)**	**(1,487)**	**(2,034)**

The account "Income tax payables" includes the tax liabilities recorded in the financial statements of the individual consolidated companies, set aside in relation to the tax charges pertaining to the individual companies on the basis of the applicable national legislation. Amounts due to tax authorities primarily refer to withholding taxes on employee income, severance indemnities and consultants.

3.3| Notes to the income statement

(26) Revenues from sales and services

	2021	2020	Change	Change %
EMEA	83,862	52,106	31,756	60.95%
of which Italy	*58,042*	*40,794*	*17,248*	*42.28%*
USA	20,801	19,482	1,319	6.77%
APAC	6,744	3,515	3,229	91.85%
Rest of the world	887	1,040	(153)	-14.74%
Revenues by region	**112,293**	**76,143**	**36,150**	**47.48%**

Revenues rose from Euro 76,143 thousand in 2020 to Euro 112,293 thousand in 2021, increasing 47.48% on the previous year. Revenue growth was primarily concentrated in the EMEA and APAC regions.

In particular, the breakdown of revenues was as follows:

- in the EMEA area, revenues rose Euro 31,756 thousand (+60.95%), mainly as a result of higher revenues from Italy, which reports an increase in revenues compared to the previous year in the Wellness (+Euro 4,009 thousand), Vending (+Euro 4,408 thousand), Industrial (+Euro 2,533 thousand) and Smart Devices (+Euro 5,350 thousand) sectors. The increase in revenues in EMEA was also influenced by the acquisition of the Garz&Fricke Group (now SECO Northern Europe), which contributed revenues of Euro 12,378 thousand in the fourth quarter of the year.

- in the U.S. region substantially stable revenues compared to 2020;
- in the APAC region revenues rose Euro 3,229 thousand (+91.85%), mainly due to the results of the subsidiary Fannal Electronics;
- in the Rest of the World substantially stable revenues compared to 2020.

(27) Other revenues and income

Other revenues and income amounted to Euro 4,045 thousand in 2021, compared to Euro 3,356 thousand in 2020.

	2021	2020	Change	Change %
Operating grant tax credit R&D	1,845	2,530	(685)	-27.06%
Capital grant tax credit Industry 4.0	201	124	77	62.44%
Other operating grants	633	218	415	190.22%
Other revenue and income	1,365	484	881	182.04%
Total other revenues and income	**4,045**	**3,356**	**689**	**20.52%**

This account mainly includes:

- the operating grant tax credit for research and development amounting to Euro 1,845 thousand;
- of the capital grant tax credit for the purchase by SECO S.p.A. of instrumental goods under "Industry 4.0" amounting to Euro 201 thousand;
- the pro-rata contribution relating to the Group's participation in the SEIS tender for Euro 342 thousand and the "Super ACE" tax credit for Euro 180 thousand;
- the non-refundable grant given by the US administration to all domestic companies to deal with the Covid-19 emergency for Euro 285 thousand;
- the non-refundable government grants from the Chinese government received by the subsidiary Fannal Electronics amounting to Euro 117 thousand.

(28) Raw materials, ancillary, consumables and goods

Costs of raw materials, ancillary, consumables and goods for resale amounted to Euro 71,820 thousand in 2021, compared to Euro 44,739 thousand in 2020. The increase of Euro 27,081 thousand during the year is mainly attributable to three factors: the increase in purchase volumes due to a marked increase in turnover, the effect of the acquisition of the Garz&Fricke Group, which contributed in the fourth quarter 2021 to purchase costs for raw, ancillary and consumable materials and goods for Euro 5,503 thousand and the general increase in the supply costs of components, due to delays and procurement difficulties along the entire supply chain.

(29) Service costs

Category	2021	2020	Change
Transport costs	2,520	1,129	1,390
Commission costs	1,016	1,056	(41)
Rentals and operating *leases*	943	383	560
Maintenance costs	383	237	146
Consultancy costs	7,572	1,117	6,455
Bank charges	76	105	(30)
Administrative and utility costs	1,411	894	518
Other taxes	255	128	127
Outsourcing costs	302	577	(275)
Marketing costs	899	847	52
Insurance costs	758	153	604
Service costs	**16,133**	**6,626**	**9,507**

The increase in transport costs is due not only to the increase in volumes purchased against the growth in turnover, but also to the contingency arising throughout 2021 (and is still ongoing) due to the exponential increase in delivery times by many silicon and component manufacturers, which led the Group to source in some cases from alternative suppliers offering faster delivery times but with higher transport costs.

The increase in rentals and operating leases, amounting to Euro 560 thousand, is primarily due to the increase in the cost of short-term or low-value vehicle rentals and fees for software licenses used in the R&D area, as well as the increase in the consolidation scope following the acquisition of the Garz&Fricke Group. The increase in insurance costs of Euro 604 thousand is due to the signing of new insurance contracts in view of the increased complexity of the Group's structure (also in light of the acquisition of the Garz&Fricke Group), which led to an update of the existing coverage.

The decrease in outsourcing costs of Euro 275 thousand mainly concerns the in-housing by SECO Spa of a number of processing works previously awarded to third party suppliers.

The increase in administrative costs and for utilities for Euro 518 thousand compared to the previous year is mainly due to electricity costs, which increased due to the sudden rise in energy prices throughout 2021 (+81% in the Euro/MWh cost between December 2020 and December 2021).

Consultancy costs overall increased by Euro 6,455 thousand compared to the previous year. This increase is mainly due to the costs incurred during the year for M&A's carried out during the year and concerning the acquisition of the Oro Networks business unit and the acquisition of the Garz&Fricke Group.

(30) Personnel costs

Category	2021	2020	Change
Salaries and wages	17,148	10,700	6,448
Social security costs	3,984	3,064	920
Post-employment benefit provision	851	772	79
Other personnel costs	1,484	1,555	(71)
Total personnel costs	**23,466**	**16,091**	**7,375**

Personnel costs in 2021 totaled Euro 23,466 thousand, increasing Euro 7,375 thousand compared to the previous year. The main component of the increase compared to the previous year relates to the recognition of the cost of stock option plans granted to the management team and employees following the successful stock market listing concluded during the current year, amounting to Euro 1,591 thousand, in addition to the increase in the workforce at Group level, both due to the increase in the consolidation scope due to the entry of SECO MIND USA, PIRI.ai and of the G&F Group, amounting to Euro 3,746 thousand, and due to the hires in the year, necessary to support the development plans in terms of R&D, production and sales.

(31) Amortization and Depreciation

Amortization and depreciation increased from Euro 5,507 thousand at December 31, 2020 to Euro 9,151 thousand at December 31, 2021, increasing Euro 3,644 thousand.

(32) Doubtful debt provision and provisions for risks and charges

The item, amounting to Euro 56 thousand, includes the doubtful debt provision and provisions for various risks.

(33) Other operating costs

Category	2021	2020	Change
Directors' fees and related charges	1,627	2,237	(610)
Board of Statutory Auditors' fees	80	50	30
Travel and transfer costs	186	88	98
Losses on receivables	158	574	(416)
Other operating costs	130	860	(730)
Total other operating costs	**2,181**	**3,809**	**(1,628)**

"Directors' fees and relative charges" decreased compared to the previous year by Euro 610 thousand. This decrease was actually due to the net effect of the increase in 2021 of the remuneration of the Board of Directors following the renewal of the Corporate Boards subsequent to the company's stock market listing in May of this year and the costs to introduce the Stock Option plan recognized at the end of 2020 of Euro 1,546 thousand.

(34) Financial charges

Category	2021	2020	Change
Interest charges on loans	763	206	557
IFRS 16 interest charges	46	15	32
Other financial charges	588	252	336
Total financial charges	**1,397**	**472**	**925**

Total financial charges increased from Euro 472 thousand in 2020 to Euro 1,397 thousand in 2021. The increase is mainly due to the interest on new loans signed during the year for Euro 124,300 thousand.

(35) Income taxes

Category	2021	2020	Change
IRES	0	23	(23)
IRAP	65	253	(188)
Foreign taxes	1,274	626	841
Prior year taxes	(42)	(77)	35
Deferred tax income/(charge)	(310)	(199)	(304)
Income taxes for the year	81	0	81
Total income taxes	**1,068**	**626**	**442**

Current income taxes are determined on the basis of a prudent forecast of such charges, in application of current tax regulations. Income taxes for the year are not calculated on taxable income but on pre-tax profit, net of permanent or long-term tax changes, such as provisions to reserves in suspense for tax purposes permitted by law. The difference between taxes calculated in this way and those on taxable income constitutes, depending on the case, either taxes deferred to future years, as a result of a tax relief regulation and therefore posted to the Provision for taxes, or taxes paid in advance with respect to the year in which they accrue, in accordance with specific tax provisions.

The recognition of deferred taxes is omitted if it can be demonstrated that their payment is unlikely or not due. Deferred tax assets are only recognized where there is reasonable certainty of their recovery. All the above valuations have been determined with a view to the company's continued operation.

The reconciliation to the theoretical rate is shown in the table on the next page:

	2021			2020		
	Assessable	Rate %	Tax	Assessable	Rate %	Tax
Profit before taxes	**7.569**			**6.102**		
Profit before tax foreign companies	(4.264)			(3.556)		
Assessable and theoretical IRES tax	**3.305**	**24%**	**(793)**	**2.546**	**24%**	**(611)**
Temporary differences	542			580		
Permanent differences	(11.036)			(3.400)		
ACE deduction	(31)			(299)		
Effects of consolidation entries or transition to IAS/IFRS	414			669		
Assessable and actual IRES tax	**(6.807)**	**24%**	**0**	**96**	**24%**	**(23)**
Effective tax charge		*0,0%*			*0,9%*	
Other tax items						
Actual taxes of foreign Group companies			(1.274)			(626)
IRAP taxes	(778)	3,9%	(65)	6.487	3,9%	(253)
Income taxes for the year IRES - IRAP			**(1.339)**			**(902)**

(36) Basic earnings per share

(in Euro thousands)	2021	2020
Group net profit [A]	**4,149**	**4,038**
Number of shares at the beginning of the year	776	763
Number of shares at the end of the year	110,041	776
Weighted average number of shares for basic EPS [B]	73,087	766
Basic earnings per share (Euros) [C]=[A]/[B]	**0.06**	**5.27**

(37) Diluted earnings per share

(in Euro thousands)	2021	2020
Group net profit [A]	**4,149**	**4,038**
Number of shares at the beginning of the year	776	763
Number of shares at the end of the year	115,321	776
Weighted average number of shares for diluted EPS [B]	75,392	766
Diluted earnings per share (Euro) [C]=[A]/[B]	**0.06**	**5.27**

As reported in the basis of preparation, diluted earnings per share were calculated by dividing the total earnings per share for the period attributable to holders of the Company's ordinary shares, excluding treasury shares, by the weighted average number of shares outstanding, adjusted to take account of the effects of all dilutive potential ordinary shares, with reference to the incentive plans in place.

(38) Consolidated Comprehensive Income Statement

The tax effect relating to other components of the Consolidated Comprehensive Income Statement breaks down as follows:

(Valori in migliaia di Euro)	31/12/2021			31/12/2020		
	Gross value	Tax (Charge)/ Benefit	Net value	Gross value	Tax (Charge)/ Benefit	Net value
Translation differences	1.510	0	1.510	(431)	0	(431)
Net gain/(loss) on Cash Flow Hedge	(762)	0	(762)	0	0	0
Discounting employee benefits	(73)	12	(60)	(37)	10	(27)
Total comprehensive income	**675**	**12**	**687**	**(468)**	**10**	**(458)**

3.4| Related party transactions

In accordance with the provisions of IAS 24, the following entities are considered Related Parties: (a) companies that directly or indirectly through one or more intermediate companies, control, or are controlled or are under common control with the reporting entity; (b) associated companies; (c) natural persons who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the company and their immediate family members; (d) senior executives, i.e. those who have the power and responsibility for planning, directing and controlling the activities of the reporting entity, including directors and officers of the company and the immediate family members of such persons; (e) companies in which any natural person described under (c) or (d) has, directly or indirectly, significant voting power, or over which such person has such power. Case (e) includes undertakings owned by the directors or major shareholders of the reporting entity and undertakings which have a manager with strategic responsibilities in common with the reporting entity.

A list of related parties is provided below, indicating the type of relationship:

Type	List of Related parties	Type and main nature of relationship
Legal person	PSM Tech S.r.l.	wholly-owned subsidiary of the Parent Company
Legal person	SECO Mind Srl	66.77% subsidiary of the Parent Company
Legal person	SECO Deutschland GmbH	wholly-owned subsidiary of the Parent Company
Legal person	SECO Northern Europe Holding GmbH	wholly-owned subsidiary of the Parent Company
Legal person	Garz & Fricke Holding GmbH	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO Northern Europe Holding GmbH
Legal person	SECO Northern Europe GmbH (Hamburg)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	SECO Northern Europe GmbH (Wuppertal)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	SECO Mind Germany GmbH (Stuttgart)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	e-GITS India Private Ltd. (Chennai, India)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	Garz & Fricke Inc. (Minneapolis, USA)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	SECO Holding, Inc.	wholly-owned subsidiary of the Parent Company
Legal person	SECO USA, Inc.	Indirect wholly-owned subsidiary of the Parent Company through its subsidiary SECO Holding, Inc.
Legal person	SECO MIND USA, LLC	A 70% indirect subsidiary of the Parent Company through its subsidiary SECO USA, Inc.
Legal person	Piri.ai,Inc	A subsidiary of the Parent Company with a 99% indirect interest through its subsidiary SECO USA, Inc.
Legal person	SECO Asia Limited	51% subsidiary owned by the Parent Company
Legal person	Fannal Electronics Co., Ltd	Subsidiary of the Parent Company with a 55% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	SECO Microelectronics Co., Ltd.	Subsidiary of the Parent Company with a 100% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	Consortium Ubiquitous Technologies S.c.a.r.l (CUBIT)	Company 22.5% owned by the Parent Company
Legal person	Hangzhou Fannal AI Co., Ltd.	Investee of the Parent Company with an indirect interest of 12.75% through its subsidiary SECO Microelectronics Co., Ltd.
Legal person	Fondo Italiano d'Investimento SGR S.p.A.	20.12% shareholder of the Parent Company
Legal person	DSA S.r.l.	30.37% shareholder of the Parent Company, 100% controlled by Conti Daniele
Legal person	HSE S.r.l.	30.37% shareholder of the Parent Company, 100% controlled by Secciani Luciano
Legal person	HCS S.r.l.	13.61% shareholder of the Parent Company, 50% controlled by Secciani Luciano and 50% by Conti Daniele
Legal person	Simest S.p.A.	49% shareholder of Seco Asia Limited
Natural person	Daniele Conti	Chairperson of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Massimo Mauri	Chief Executive Director and Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Claudio Catania	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Emanuela Sala	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Luca Tufarelli	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Luciano Lomarini	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Michele Secciani	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Elisa Crotti	Independent Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Giovanna Mariani	Independent Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Diva Tommei	Independent Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Pierpaolo Guzzo	Chairperson of the Board of Statutory Auditors of the Parent Company, appointed on 01/03/2021
Natural person	Gino Faralli	Statutory Auditor of the Parent Company, appointed on 01/03/2021
Natural person	Fabio Rossi	Statutory Auditor of the Parent Company, appointed on 01/03/2021
Natural person	Marco Badiali	Alternate Auditor of the Parent Company, appointed on 01/03/2021
Natural person	Maurizio Baldassarini	Alternate Auditor of the Parent Company, appointed on 01/03/2021

Transactions carried out with related parties are part of the ordinary course of business of the companies and have been regulated at market conditions. No atypical or unusual transactions were recorded.

The balance sheet and income statement effects of the transactions have been eliminated in the consolidation process.

Details of transactions with related parties are provided on the following page.

Balance Sheet accounts	CUBIT S.c.a.r.l	BoD (*)	BSA (**)	SB and Internal Committees	Total	Total book value	% on total account items
Non-current financial assets	65	0	0	0	**65**	1,801	3.60%
Trade receivables	87	0	0	0	**87**	36,696	0.24%
Employee benefits	0	270	0	0	**270**	3,065	8.79%
Trade payables	84	0	41	73	**198**	39,949	0.49%
Other current payables	0	119	0	0	**119**	12,294	0.97%

Income Statement accounts	CUBIT S.c.a.r.l	BoD (*)	BSA (**)	SB and Internal Committees	Total	Total book value	% on total account items
Revenues from sales	1	0	0	0	**1**	112,293	0.00%
Raw materials, ancillaries, consumables and goods	0	0	0	0	**0**	71,820	0.00%
Service costs	187	0	0	0	**187**	16,133	1.16%
Other operating costs	0	1,144	80	73	**1,297**	2,181	59.47%

(*) Board of Directors
(**) Board of Statutory Auditors

3.5| Remuneration of Directors, Statutory Auditors and independent audit firm

The fees in 2021 of the Board of Directors of the parent company totaled Euro 706 thousand (Euro 595 thousand in 2020), while those of the Board of Statutory of Auditors totaled Euro 80 thousand (Euro 50 thousand in 2020). The company also recognized a charge of Euro 439 thousand in relation to the incentive plan (Euro 1,546 thousand in 2020).

The fees of the independent audit firm for the audit of the separate financial statements and the consolidated financial statements totaled Euro 204 thousand in 2021 (Euro 50 thousand in 2020).

3.6| Disclosure pursuant to Article 149-duodecies of the Consob Issuer's Regulation

The following table, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulation reports the payments made in 2021 for audit and other services provided by the independent auditors and entities associated with them.

Type of service (Values in Euro)	Service provider	Company	2021 Fees
Audit	Deloitte	Parent	111,000
	Deloitte	Subsidiaries	16,000
	Deloitte	Subsidiaries	77,000
Comfort letters for IPO purposes	Deloitte	Parent	450,000
Certification work	Deloitte	Parent	69,000
Other services	Deloitte Financial Advisory	Parent	130,000
Total			**853.000**

3.7| Subsequent events

Thanks to the Group's strategy, we continue to see a strong acceleration in business and organic growth. This growth, due to the continued acquisition of new customers, the integration of the Garz & Fricke Group - now SECO Northern Europe - and the contribution of the CLEA IoT-AI platform business, appears robust and long-term. The Group is well positioned to benefit from the enormous development opportunities for the industry over the coming years, helping its customers to boost performance and add ever greater value to their products.

On February 24, 2022, Russia attacked Ukraine, thus starting a war in the heart of Europe. At about 15 days from the Russian offensive, the entire global system is suffering heavy economic and financial consequences as a result of the sanctions imposed on Russia by the European Union.

The SECO Group in 2021 reported business volumes with Russia of Euro 1,830 thousand and with Ukraine of Euro 81 thousand, accounting for 2% of total revenues.

The Group has for the moment suspended all relations with Russia in full compliance with the sanctions imposed by the European Union. This suspension is not expected to have a significant impact on the Group's future sales performance, given the negligible contribution from Russian Federation sales to Group overall turnover.


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4

4| Declaration of the annual financial report pursuant to article 81-ter of consob regulation no. 11971 Of may 14, 1999 and subsequent amendments and supplements

1. The undersigned Massimo Mauri, Chief Executive Officer, and Lorenzo Mazzini, Executive Officer for Financial Reporting, of SECO S.p.A. declare, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
   - the adequacy considering the company's characteristics and
   - the effective application

   of the administrative and accounting procedures for the drafting of the consolidated annual financial statements for 2021.
2. They also declare that the annual financial report:
   - corresponds to the underlying accounting documents and records;
   - were prepared in accordance with international accounting standards, recognized in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002;
   - provides a true and fair view of the financial position, financial performance and cash flow of the issuer and of the other companies in the consolidation scope.
3. The Directors' Report includes a reliable analysis on the performance and operating result, in addition to the situation of the Company and of the companies included in the consolidation, together with an outline of the main risks and uncertainties to which they are exposed. It also presents a reliable analysis of the significant transactions with related parties.

Arezzo, March 21, 2022

Chief Executive Officer	Executive Officer for Financial Reporting
....	....
Massimo Mauri	Lorenzo Mazzini

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Seco S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Seco S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of shareholders' equity and consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Seco S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting of Seco Northern Europe business combination	
Description of the key audit matter	On October 11, 2021, the Company completed the purchase of 100% of the share capital of Garz & Fricke Holding GmbH and AF HMI Holding GmbH, both companies incorporated under German law; this acquisition was recognized in the consolidated financial statements according to the acquisition method, as required by the international accounting standard IFRS 3 - Business combinations, which provides for a process of allocation of the acquisition cost (Purchase price allocation - "PPA") and required the evaluation by the Management of the fair value of the assets acquired and the liabilities assumed, also with the support of an independent expert. Upon completion of the acquisition, the values relating to the acquired companies were allocated to the new cash generating unit (CGU) Seco Northern Europe. The definitive allocation of the values as part of the PPA process led to the recognition, at the date of inclusion in the consolidation area (October 11, 2021), of intangible assets with a defined useful life for Euro 33,000 thousand, of a higher value of inventories for Euro 985 thousand, of tax effects connected to these two items for Euro 10,196 thousand and, residually, of goodwill equal to Euro 133,509 thousand. Considering the significance of the business combination in the context of the Group's consolidated financial statements, the complexity of the valuation processes required by IFRS 3 and assumptions made by Directors which, by their nature, involve significant judgments, we considered the accounting of the described business combination as a key audit matter of the consolidated Financial Statement. Explanatory notes of consolidated financial statements describe the Directors' assessment process and note Business Combination provides information on acquisition.
Audit procedures performed	We have carried out the following procedures, also with the involvement of experts from Deloitte network: • analysis of agreements relating to the acquisition, in order to understand main terms and conditions; • audit procedures on specified account balances of financial figures of the companies included in the business combination, with reference to the date of acquisition of the control;

- inquiries of management in order to understand the process adopted by Directors, with the support of an independent expert, for accounting of the business combination according to the IFRS 3 requirements, with particular reference to the criteria and assumptions used by the Management for the identification of the assets acquired and the liabilities assumed, the estimation of their fair value and the relating goodwill estimation;

- analysis of the report prepared by the independent expert appointed by the Directors, also evaluating its competence, capabilities and objectivity;

- discussions about assumptions with Directors and independent expert, and performing recalculation of values.

Furthermore, we examined the adequacy of the disclosure provided by the Group in the consolidated financial statements as of December 31, 2021 regarding the business combination and its compliance with IFRS 3 requirements.

Impairment test of Goodwill of CGU Seco Northern Europe	
Description of the key audit matter	The consolidated financial statements as of December 31, 2021 include goodwill, for Euro 133,509 thousand, allocated to the Seco Northern Europe CGU, deriving from the acquisition of the Garz & Fricke Group (now Seco Northern Europe) carried out in the 2021 financial year, described in the previous key audit matter paragraph. This goodwill, as required by "IAS 36 Impairment of assets", is not amortized, but is subject to an impairment test, at least annually, by comparing the recoverable value of the CGU - determined according to the value in use method - and the book value, which takes into account both goodwill and other tangible and intangible assets allocated to the CGU. The valuation process required by IAS 36 is complex and it is based on assumptions related to, among others, the CGU's cash flows forecast, determination of an appropriate discount rate (WACC) and grow rate (g-rate). In preparing the impairment test, the Directors relied on of the support of an independent expert. The impairment test underlying assumptions are, however, by their nature, influenced by future expectations about the trend of external market conditions also connected to the business and depend on factors that may vary over time. The operating cash flows estimation was made with reference to the Business Plan for the period 2022-2024 (hereinafter the "Plan") approved by the Board of Directors on March 15, 2022.

	Considering the significance of the carrying amount of goodwill, the subjectivity and the uncertainty of: the estimates related to the forecasting of the cash generating units cash flows and the key parameters of impairment test, we considered the impairment test as a key audit matter of the consolidated Financial Statement. Explanatory notes of consolidated financial statements describe the Management's assessment process and note (4) Goodwill provides disclosure on the methods and parameters used by Directors for the development of the impairment test.
Audit procedures performed	We have carried out the following procedures, also with the involvement of expert from Deloitte network: • understanding of procedures and relevant controls carried out by the Directors for preparing and for the approval of the impairment test; • understanding of the method used by Directors, with the support of independent expert, for the determination of the value in use of cash-generating unit (CGU), analyzing the methods and assumptions used by Directors for the preparation of the impairment test; • analysis of the reasonableness of the assumptions made in estimating the cash flows forecast and the parameters used by the Directors for the impairment test. For this purpose we examined industry studies and sector analyses and reperformed the methods used by Directors to calculate WACC and g-rate; • analysis of the report prepared by the independent expert appointed by the Directors, also evaluating its skills, competence and objectivity; • verification of the correct determination of the carrying amount of the assets and liabilities allocated to CGU; • verification of the clerical accuracy of the model used to determine the value in use of the CGU; • verification of the sensitivity analysis carried out by Directors. Furthermore, we examined the adequacy of the disclosure provided by the Group in the consolidated financial statements as of December 31, 2021 on the impairment test and its compliance with the IAS 36's requirements.

Recoverability of assets related to development costs of new products	
Description of the key audit matter	The Seco Group consolidated financial statements as of December 31, 2021 include development costs of new products for Euro 16,497 thousand. Recognizing that assets requires to assess compliance with requirements of the International Accounting Standard "IAS 38 – Intangible assets"; capitalization of development costs, as well as the subsequent verification of recoverability of the recorded values, also involves the formulation of estimates by Directors, as it assumes that estimation of expected future cash flows from the sale of the products relating to projects under examination are sufficient to predict its recoverability. These estimates are characterized both by the complexity of assumptions underlying revenues forecast and margins projections, and by strategic industrial decisions made by Directors. Given the magnitude of the value of the related assets and considering the complexity and related elements of judgment, we have considered the verification of the recoverability of assets a key audit matter. Explanatory notes of consolidated financial statements describe the Management's assessment process and Note (2) Intangible assets provides information on development costs.
Audit procedures performed	In the context of our audits, we have carried out the following procedures: • understanding of company procedures and relevant controls overseeing the assessment for capitalization and recoverability of development costs; • inquiring of management, aimed at understanding the characteristics of the projects; • verification, for a sample of projects, on the changes of the period focusing on the compliance with the requirements of "IAS 38 – Intangible assets" for capitalization of internally generated intangible assets; • analysis, for a sample of projects, of estimated future cash flows related to development costs capitalized and management's subsequent monitoring. Furthermore, we examined the adequacy of the information provided by Directors in the consolidated financial statements and its compliance with the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Seco S.p.A. has appointed us on March 1, 2021 as auditors of the Company for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Seco S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Seco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Piaggio Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Piaggio Group as at December 31, 2021and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Piaggio Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Seco S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by other auditor.

DELOITTE & TOUCHE S.p.A.

Signed by
Gianni Massini
Partner

Florence, Italy
March 28, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

E-MARKET SDIR CERTIFIED

SECO

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