



SECO S.p.A.

**QUARTERLY REPORT
AS AT MARCH 31, 2021**

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital euro 1.048.343,74
VAT number 00325250512
Companies Registry Arezzo n. 4196



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CORPORATE BODIES

Board of Directors

In office until the Shareholders' Meeting to approve the financial statements as at 31/12/2023

<u>Chairman</u>	Daniele Conti
<u>Chief Executive Officer</u>	Massimo Mauri
<u>Board member</u>	Claudio Catania
	Emanuela Sala
	Luca Tufarelli
	Luciano Lomarini
	Michele Secciani
	Elena Crotti
	Giovanna Mariani
	Diva Tommei

Board of Statutory Auditors

In office until the Shareholders' Meeting to approve the financial statements as at 31/12/2023

<u>Standing Auditors</u>	Pierpaolo Guzzo (Chairman)
	Gino Faralli
	Fabio Rossi
<u>Alternate Auditors</u>	Marco Badiali
	Maurizio Baldassarini

Financial Reporting Officer Lorenzo Mazzini

External Auditors Deloitte & Touche S.p.A.

In office until the Shareholders' Meeting to approve the financial statements as at 31/12/2029



THE GROUP AND ITS BUSINESS

The SECO Group (hereinafter, also the “Group” or “SECO”) is composed of the parent company SECO S.p.A., hereinafter, also the “Company” or “Parent Company”, and its subsidiaries, as shown in the chart below:



The Company's registered office is located in Via Achille Grandi no. 20, in Arezzo (AR).

SECO is an industrial group that operates in high-tech computer miniaturization and the Internet of Things (IoT). In a market characterised by extensive evolution and sharp growth, it always manages to stand out thanks to its innovative, customised solutions it guarantees to its clients.



REFERENCE ECONOMIC SCENARIO AND SECTOR PERFORMANCE

The dissemination of digital technologies is defining a new scenario: the era of interconnected devices, analytics and artificial intelligence. The ever-growing number of smart devices, capable of processing data on the field (edge computing), connected between each other and with the cloud, is opening the doors for the establishment of new business models, creating enormous development opportunities and contributing to improving people's quality of life, safety and security.

The evolution of technologies such as Cloud Computing, Big Data and Analytics, Artificial Intelligence and the Internet of Things has accelerated the digital transformation of company processes and the way that companies approach the creation, deployment and use of ICT products and services, throughout the world.

In a context such as the current one, where the speed of execution and time-to-market are crucial elements not only in order for companies to be competitive but also to survive, we are seeing a drive towards digitalisation throughout the world.

The Covid-19 pandemic undoubtedly contributed to accelerating this trend, bringing digitalisation to numerous sectors and areas of daily life which had always been far from this world. This trend also expanded in the industrial sector, where companies in all the primary sectors are demanding ever increasing digitalisation and interconnection of their products. The significant recovery programs to relaunch and incentivise investments that are being implemented by numerous countries in the world will contribute to further accelerating these trends, resulting in the growth of the number of connected devices and IoT at rates much higher than the double digit, as recognised by all the leading authoritative sector analysts.

PERFORMANCE OF OPERATIONS

In February, the SECO Group launched CLEA, an innovative end-to-end software platform capable of collecting data in the field, transfer them to the cloud and making them available on a customised basis, analysing them in real time to return high value added information to support clients' decision-making process and business.

Created to accelerate the full, effective digitalisation of SECO clients, CLEA combines elements of hardware (gateway switches, sensors), software (dedicated operating systems) and artificial intelligence with customisable dashboards for management and control, integrated into a single solution that combines centralised (cloud computing) and local (edge computing) computing capacity.

That platform integrates the expertise SECO has acquired over the years in the fields of Artificial Intelligence, IOT and data orchestration. The CLEA solution has also been designed to be compatible with all types of hardware, developed either by SECO or by clients and/or third parties.

The launch of CLEA was accompanied by the creation of SECO Mind, which will be the result of the merger of the three companies acquired by SECO from 2018 to 2020 to expand its IoT offer: Aidilab Srl, a creative laboratory of interaction design, Ispirata Srl, a start-up specializing in open-source middleware and software



solutions for data orchestration applications in the Embedded, IoT and Industry 4.0 sectors, and Hopenly Srl, specializing in machine learning and artificial intelligence projects. The merger is planned to be finalised on July 1, 2021, with retroactive accounting effects starting from January 1, 2021.

In March, SECO Group signed a partnership agreement with Microsoft for the introduction and dissemination of IoT technologies, combining the flexibility and power of the Microsoft Azure platform with the versatility offered by CLEA applications: designed to assist businesses that seek to speed up their digital transformation, the agreement provides for the CLEA end-to-end platform to be natively hosted on the Microsoft Azure cloud platform and to be made available worldwide on the Microsoft Commercial Marketplace, thus facilitating the use of this integrated solution by clients, system integrators and business partners of SECO and Microsoft.

The initiatives listed above are part of a wider strategy adopted by SECO to increase the value created for its clients, through an extensive offer of highly innovative, integrated and customised hardware and software solutions, based on a "one-stop shop" approach that significantly reduces technological complexity and supply chain management for clients.

Those solutions are successfully employed in numerous vertical markets such as Fitness, Biomedical, Industrial Automation, Vending, Entertainment, Transportation and many others. They are the result of the integration of the diversified skills that the Group has gradually acquired and developed over the years, also through targeted actions of growth through external lines: among these, we note, in addition to the aforementioned Aidilab, Ispirata and Hopenly, the acquisitions of Fannal Electronics Co., Ltd. (2019) and InHand Electronics Inc. (2020), aimed at ensuring a vertical integration in the human-machine interfaces development, acquiring significant R&D expertise and increasing the Group's commercial and operational presence in the Asian and American markets.

Research and Development and technological innovation

The creation of a new product starts with a study of the reference market by the Group, in order to understand the needs and trends deemed most meaningful. These activities form the Group's Research and Development processes, focused on the need to create and market products that are not only innovative, but also meet potential or current market demand. The constant striving for innovation by all players in the sector is an element that can render a technological competitive advantage obsolete. In order to deal with this risk, the Group dedicates many resources to Research and Development, to which it allocated around 10% of its turnover in 2020.

Research and Development is central to the SECO Group's business model and is developed both internally and through partnerships with Italian technology companies, research institutes and university hubs. Research and Development is responsible for developing and designing technological solutions based on integrated systems, connectivity devices, standard and custom modules for the Group's clients and reference markets.



Thanks to Research and Development, SECO is able to introduce an average of 20 new products on the market per year. The percentage of Group employees working in Research and Development is greater than 30%. Those employees are responsible for designing new products and solutions to be marketed and for the process of co-development and co-engineering of customised products and solutions, working in close contact with the client. The Group also operates through five hubs dedicated to Research and Development, located in Italy, the United States and China.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AS AT MARCH 31, 2021

Consolidated Statement of Financial Position

(Amounts in thousands of Euro)	Note	31/03/2021	31/12/2020
Property, plant and equipment		12,890	13,272
Intangible assets		14,279	12,996
Rights of use assets		1,768	1,912
Goodwill		7,066	7,066
Non-current financial assets		136	246
Deferred tax assets		634	623
Other non-current assets		821	492
Total non-current assets	(1)	37,594	36,607
Inventories		34,554	31,417
Trade receivables		18,262	15,029
Current tax assets		4,721	9,080
Other receivables		3,995	2,556
Cash and cash equivalents		20,460	23,678
Total current assets	(2)	81,993	81,760
TOTAL ASSETS		119,587	118,367
Share Capital		776	776
Share premium reserve		14,781	14,781
Reserves		28,689	24,231
Group profit (loss)		1,993	4,038
Equity attributable to the owners of the Company	(3)	46,238	43,826
Share capital and reserves of non-controlling interests		7,267	5,700
Net profit for the year of non-controlling interests		224	1,438
Equity attributable to the non-controlling interests		7,491	7,138
Total Equity		53,729	50,964
Employee benefits		3,043	2,973
Provisions		89	89
Deferred tax liabilities		45	43
Non-current financial liabilities		24,855	26,087
Non-current lease liabilities		1,100	1,194
Other non-current liabilities		660	608
Total non-current liabilities	(4)	29,792	30,994
Current financial liabilities		7,203	8,540
Current portion of non-current financial liabilities		5,716	5,163
Current lease liabilities		470	537
Trade payables		15,263	15,289
Other payables		5,440	5,393
Current Tax liabilities		1,974	1,487
Total current liabilities	(5)	36,065	36,409
TOTAL EQUITY AND LIABILITIES		119,587	118,367



Consolidated income statement

(Amounts in thousands of Euro)	Note	31/03/2021	31/03/2020
Net sales		19,446	18,251
Other revenues and income		782	135
Total revenues and operating income	(6)	20,228	18,386
Costs for services, goods and other operating costs		(11,573)	(11,390)
Personnel costs		(4,362)	(3,895)
Total costs and other operating charges	(7)	(15,935)	(15,285)
Amortisation and depreciation	(8)	(1,439)	(1,043)
Provisions and write-downs		0	(20)
Operating profit/(loss)		2,854	2,038
Financial income and charges		(97)	(76)
Exchange gains/(losses)		237	0
Profit/(loss) before tax		2,994	1,962
Income taxes		(777)	(536)
Profit/(loss) for the year		2,217	1,426
Minorities' profit/(loss)		224	367
Group profit/(loss)		1,993	1,059
Net profit per share		0	2
Dividend per share		3	0

For the income statement data as at March 31, 2020, as the Group was not required, at the time, to draw up interim reports, it drafted a management consolidated income statement.



Consolidated statement of comprehensive income

(Amounts in thousands of Euro)	31/03/2021	31/03/2020
Net profit for the year	2,217	1,426
Items that will be reclassified subsequently to profit or loss	332	72
Exchange gains/(losses) on translating foreign operations	332	72
Other gains/(losses) that will not be reclassified subsequently to profit or loss	0	0
Remeasurement of defined benefit plan	0	0
Tax effects of discounting employee benefits to present value	0	0
Total comprehensive income for the year, net of tax	2,549	1,498
Non-controlling interests	353	371
Shareholders of the Parent Company	2,197	1,127
Total comprehensive income/(loss) for the year	2,549	1,498



Consolidated Cash Flow Statement

(Amounts in thousands of Euro)	31/03/2021
Net Profit for the year	2,217
Income taxes	777
Depreciation and Amortisation	1,439
Net change in employee benefits	70
Share-based payment costs	215
Operating cash flows before movements in working capital	4,718
(Increase)/decrease in trade receivables	(3,234)
(Increase)/decrease in inventories	(3,137)
Increase/(decrease) in trade payables	(26)
(Increase)/decrease in current tax receivables	4,359
Increase/(decrease) in current tax liabilities	(290)
(Increase)/decrease in other receivables	(1,439)
Increase/(decrease) in other payables	47
(Increase)/decrease in other non-current assets	(339)
Increase/(decrease) in other non-current liabilities	54
Changes in provisions for risks	0
Income taxes paid	0
Net cash (used in)/from operating activities (A)	713
(Additions)/Disposals of property, plant and equipment	(200)
(Additions)/Disposals of intangible assets	(1,996)
Disposals of non-current financial assets	110
Acquisition of subsidiaries net of cash and cash equivalents	0
Net cash (used in)/from investment activities (B)	(2,086)
Increase/(decrease) in non-current financial liabilities	(679)
Increase/(decrease) in current financial liabilities	(1,337)
Payment of lease liabilities	(161)
Dividends paid	0
Net increase in capital payments	0
Share capital increases in subsidiaries	0
Net cash (used in)/from financing activities (C)	(2,177)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(3,550)
Cash and cash equivalents at the beginning of the year	23,678
Effect of foreign exchange rate changes	332
Cash and cash equivalents at the end of the year	20,460

Given that, in 2020, the Group was not required to prepare interim financial statements, it is only reported, at a cash flow statement level, the situation as of the current quarter.



Statement of Changes in Consolidated Shareholders' Equity

(Amounts in thousands of Euro)	01/01/2021	Share Capital increase	Allocation of profit	Dividends distributed	Other changes	Comprehensive income/(loss)	31/03/2021
Share Capital	776						776
Legal reserve	289						289
Share premium reserve	14,781						14,781
Other reserves	24,850		4,038		215		29,103
Foreign exchange translation reserve	(432)					204	(228)
IFRS FTA reserve	(371)						(371)
Remeasurement of defined benefit plan	(105)						(105)
Net profit for the year	4,038		(4,038)			1,993	1,993
Equity of the Group	43,826	0	0	0	215	2,197	46,238
Share capital and reserves of non-controlling interests	5,701		1,438			128	7,267
Remeasurement of defined benefit plan	(1)						(1)
Profit attributable to non-controlling interests	1,438		(1,438)			224	224
Profit attributable to non-controlling interests	7,138	0	0	0	0	353	7,491
Total Equity	50,964	0	0	0	215	2,549	53,729



COMMENTS ON THE CONSOLIDATED ACCOUNTING STATEMENTS

(1) Total non-current assets

Total non-current assets rose from Euro 36,607 thousand to Euro 37,594 thousand, recording an increase of Euro 986 thousand. That change mainly derives from:

- an increase in Intangible assets of Euro 1,283 thousand, following the capitalisation of costs for Research and Development projects incurred in the first quarter of 2021;
- an increase in Other non-current assets of Euro 328 thousand, due to the recognition of the tax credit relating to investments made under the Industry 4.0 regime in the reference quarter;
- overall decrease in Property, plant and equipment and Rights of use assets of Euro 527 thousand, due to the amortisation and depreciation recorded during the period.

(2) Total current assets

Total current assets rose from Euro 81,760 thousand to Euro 81,993 thousand, recording an increase of Euro 233 thousand. That change was mainly composed of:

- increase in Inventories of Euro 3,137 thousand, deriving from the Group's need to ensure provision of the raw materials necessary to carry out the production cycle at a historical moment of extreme uncertainty on the raw materials procurement market;
- increase in Trade receivables of Euro 3,233 thousand, due to the joint effect of the increase in turnover with existing as well as new clients;
- decrease in Current tax assets of Euro 4,359 thousand, due to the collection of the VAT credit of Euro 4,000 thousand and the gradual use of the R&D tax credit;
- increase in Other receivables of Euro 1,439 thousand, due to the recognition of the short-term portion of the tax credit relating to investments made in the Industry 4.0 regime and the tax credit for Research and Development, the pro-rata recognition of the contribution relating to the Group's participation in the SEIS Tender and the increase in prepayments and advances to suppliers;
- decrease in Cash and cash equivalents of Euro 2,046 thousand, mainly due to the absorption of cash necessary to support inventory requirements.

(3) Equity attributable to the owners of the Company

Total equity of Euro 53,729 thousand reported an increase of Euro 2,765 thousand in the first quarter of 2021, mainly due to the total net profit for the period (+ Euro 2,217 thousand) and the increase in reserves relating to the cost of stock option plans referring to the first quarter 2021.



(4) Total non-current liabilities

Total non-current liabilities decreased from Euro 30,994 thousand to Euro 29,792 thousand due to the decrease in the medium/long-term portion of bank loans, as a result of the repayment of instalments in the reference quarter.

(5) Total current liabilities

Total current liabilities decreased from Euro 36,409 thousand to Euro 36,065 thousand, mainly due to the net effect of the decrease in current financial liabilities, amounting to Euro 852 thousand, and the increase in current tax liabilities, equal to Euro 487 thousand, following the allocation of taxes calculated on the profit (loss) achieved during the reference period.

(6) Total revenues and operating income

Net sales rose from Euro 18,251 thousand as of March 31, 2020 to Euro 19,446 thousand as of March 31, 2021, increasing by 6.55% compared to the same quarter of the previous year. That increase derives from the growth in revenues in all geographic areas served by the Group. Refer to the paragraph "Sales revenues by geographic area", below, for more details.

Other revenues and income, amounting to Euro 782 thousand, refer mainly to the recording of the tax credit for Research and Development of Euro 180 thousand, the tax credit referring to the purchase by SECO S.p.A of capital goods under the Industry 4.0 regime, of Euro 174 thousand, the pro-quota contribution relating to the Group's participation in the SEIS Tender, of Euro 86 thousand, and the grant from the US government to all companies in the country to handle the Covid-19 emergency, equal to Euro 285 thousand.

(7) Costs and other operating charges

Costs for services, goods and other operating costs are equal to Euro 11,573 thousand, up by Euro 183 thousand on the same period of the previous year.

The impact of costs for services, goods and other operating costs on turnover decreased by two percentage points. This was mainly due: (i) to the sharp reduction in marketing costs, which reached a percentage of 0.52% on turnover as at 31/03/2021, compared to a percentage of 1.32% recorded in the same period of the previous year; (ii) lower consulting costs compared to the same quarter of the previous year, a period in which the Group made significant investments for the M&A transaction relating to the acquisition of InHand Electronics (now SECO Usa Inc.).

The increase in personnel costs is due to the increase in the number of employees, mainly due to: (i) the process of hiring qualified personnel to employ in Research and Development projects, in addition to the selection of new managers inserted in various functional areas of the Group and (ii) the change in the consolidation perimeter following the acquisitions of Hopenly and Ispirata, compared to the same quarter of the previous year.



(8) Amortisation and depreciation

Amortisation and depreciation for the period came to Euro 1,439 thousand, up by Euro 397 thousand on the same quarter of the previous year, due to the investments made during 2020 and the first quarter of 2021.



PERFORMANCE IN THE FIRST QUARTER OF 2021

In a first quarter still impacted by the continuing economic and social difficulties at global level, due to the ongoing pandemic, the Group managed to support and strengthen its position on the Embedded Computing and IoT markets, achieving important growth in turnover on the same quarter of the previous year. Revenue from sales rose by 6.55% on the first quarter of 2020, while total revenues and operating income increased by 8.9% if compared with the same period of the previous year.

Sales revenues by geographic area

As required by IFRS 8, despite the fact that there is only one operating segment, information regarding the geographic distribution of revenue is provided below. In particular, four geographic areas have been identified: EMEA, USA, APAC and ROW. The breakdown of revenue from sales, indicating the specific geographic area, is as follows:

(Amounts in thousands of Euro)	31/03/2021	31/03/2020	Changes	
			2021 vs. 2020	%
EMEA	13,856	12,971	884	6.82%
- <i>Italy</i>	11,161	10,544	617	5.85%
USA	4,445	3,917	528	13.48%
APAC	1,140	505	635	125.95%
Rest of World (RoW)	6	859	(853)	-99.33%
Revenue by geographic area	19,446	18,251	1,195	6.55%

Sales revenues rose from Euro 18,251 thousand in 2020 to Euro 19,446 thousand in 2021, increasing by 6.55% on the same quarter of the previous year. Those changes are the result of the growth in revenues in all geographic areas of operation of the Group.

In particular, the growth in revenues was concentrated:

- in Italy, with an increase of Euro 617 thousand (+5.85%), as a result of continuation of the positive trend recorded in the last quarter of 2020;
- in the USA area, with an increase of Euro 528 thousand (+13.48%), as a result of the growth in the Group's historic clients and the acquisition of new clients;
- in the APAC area, with an increase of Euro 635 thousand (125.95%) due to the increase in sales volumes compared to the same quarter of the previous year;
- in the Rest of the World, revenues decreased by Euro 853 thousand (-99.33%) compared to the same quarter of the previous year. This drop is merely the result of different planning of the order book of one of the main clients in South America as opposed to the first quarter of 2020.



Economic alternative performance indicators

EBITDA – This indicator is used by the Group as a financial target, which represents a useful unit of measure to assess operating performance. EBITDA is calculated as the profit or loss for the year before income taxes, financial income and charges, amortisation and depreciation.

(amounts in thousands of Euro)	31/03/2021	31/03/2020	Change	%
Total revenues and operating income	20,228	18,386	1,842	10.02%
Costs for services, goods and other operating costs	(11,335)	(11,410)	75	-0.65%
Personnel costs	(4,362)	(3,895)	(467)	11.99%
EBITDA	4,531	3,081	1,450	47.06%

The increase between the two reference periods (Euro 1,450 thousand, +47.06%) is attributable to the improvement in the gross margin, i.e. the difference between revenues and the sum of costs for raw materials, ancillary materials, consumables and good and the change in inventories. This was partially mitigated by the increase in personnel costs due to the increase in the number of employees, mainly due to: (i) the process of hiring qualified personnel to employ in the area of Research and Development projects as well as the selection of new managers inserted in numerous functional areas of the Group, hired during 2020 but not yet employed as at March 31, 2020, as well as (ii) the change in the consolidation perimeter following the acquisition of Hopenly and Ispirata.

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

With regard to the *Adjusted EBITDA*, the Group deems that the adjustment (which defines the *Adjusted EBITDA*) was made in such a way as to represent the Group's performance of operations net of the effects of certain events and operations.

(amounts in thousands of Euro)	31/03/2021	31/03/2020	Change	%
EBITDA	4,531	3,081	1,450	47.06%
Income elements not relating to normal business operations	266	209	57	27.36%
Non-recurring income elements that are part of the company's ordinary operations	(192)	0	(192)	0%
Adjusted EBITDA	4,605	3,290	1,315	39.98%

In the first quarter 2021, the Group recorded an *Adjusted EBITDA* of Euro 4,605 thousand, up by 39.98% on the same period of the previous year.



The income elements not relating to normal business operations, amounting to Euro 266 thousand, are the result of Euro 215 thousand relating to the actuarial value of the 2020 Stock Option Plan assigned to several managers of the Group and Euro 51 thousand in costs linked to extraordinary operations under way.

The non-recurring income elements that are part of the company's ordinary operations, amounting to Euro 192 thousand, refer to Euro 46 thousand in costs relating to the current health emergency and settlement costs of the US subsidiary, in addition to the neutralisation of exchange gains of Euro 237 thousand.

Balance sheet alternative performance indicators

Net financial indebtedness – This indicator is a measure of the Group's financial indebtedness net of cash and cash equivalents.

The detailed statement of the breakdown of net financial indebtedness for the first quarter of 2021 compared to December 31, 2020.

As at March 31, 2021, the Group's net financial indebtedness was a negative Euro 18,883 thousand, compared to a negative Euro 17,843 thousand as at December 31, 2020.

(Amounts in thousands of Euro)	31/03/2021	31/12/2020	Change	%
A. Cash	11	14	(3)	-18.77%
B. Cash equivalents	20,449	23,664	(3,215)	-13.59%
C. Trading securities	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	20,460	23,678	(3,218)	-13.59%
E. Current bank debt	(7,203)	(8,540)	1,337	-15.66%
F. Current portion of non-current debt	(5,716)	(5,163)	(553)	10.70%
G. Other current financial liabilities	(470)	(537)	67	-12.57%
H. Current financial debt (E)+(F)+(G)	(13,388)	(14,240)	852	-5.98%
I. Current net financial indebtedness (D)+(H)	7,072	9,438	(2,366)	-25.07%
J. Non-current bank loans	(24,855)	(26,087)	1,232	-4.72%
K. Bonds issued	0	0	0	0.00%
L. Other non-current financial liabilities	(1,100)	(1,194)	94	-7.83%
M. Non-current financial indebtedness (J)+(K)+(L)	(25,956)	(27,281)	1,325	-4.86%
N. Net financial indebtedness (I)+(M)	(18,883)	(17,843)	(1,040)	5.83%

Total net financial indebtedness increased by Euro 1,040 thousand due to the decrease in Group cash and cash equivalents, absorbed by the increase in inventories and the repayment of outstanding loans. In the first quarter of 2021, no new loans were subscribed.



Adjusted Net Financial indebtedness – The Adjusted Net Financial indebtedness indicates the Group's ability to cover its financial obligations.

The adjusted net financial indebtedness is calculated by adjusting the net financial indebtedness determined in accordance with that set out in Consob Communication DEM/6064293 of July 28, 2006 and in line with the ESMA/2013/319 Recommendations, with the VAT credit and current and non-current financial liabilities deriving from leases recognised as a result of the application of IFRS 16.

(Amounts in thousands of Euro)	31/03/2021	31/12/2020	Change	%
Net financial indebtedness	(18,883)	(17,843)	(1,040)	5.83%
(+) VAT Credit	1,263	4,666	(3,403)	-72.94%
(-) Current lease liabilities	(470)	(537)	67	-12.57%
(-) Non-current lease liabilities	(1,100)	(1,194)	94	-7.83%
Adjusted net financial indebtedness	(16,051)	(11,446)	(4,605)	40.23%

Adjusted net financial indebtedness came to Euro 16,051 thousand as at March 31, 2021, compared to Euro 11,446 thousand recorded as at December 31, 2020. The increase is due to the effects analysed in the previous section, as well as, substantially, to the collection - in March 2021 - of the VAT credit recorded in the financial statements as at December 31, 2020.

SIGNIFICANT SUBSEQUENT EVENTS

The financial statements of the SECO Group as at December 31, 2020, approved by the Company's Board of Directors on February 25, 2021, was submitted to the Shareholders' Meeting on March 1, 2021, which resolved in its favour, allocating the profit for the year to the extraordinary reserve.

In May 2021, the Group successfully concluded the process of admission to listing of its shares on the STAR segment of the Mercato Telematico Azionario (Electronic Equity Market) organised and managed by Borsa Italiana S.p.A. ("MTA"). As a result of that operation, a share capital increase of around Euro 100 million was collected, to be allocated to finalising acquisition operations to accelerate growth in size and further increase the international presence and portfolio of technological solutions offered by the Group.

The approval of the Prospectus by the National Commission for Companies and the Stock Exchange (CONSOB), received on April 21, 2021, was followed by institutional placement activities, concluded on April 30, 2021. That activity generated significant interest in the Group by leading investors located in Italy, the United Kingdom, Germany, the United States and the rest of Europe. The first day of trading was May 5, 2021, at an initial offer price set at Euro 3.7 per share.

Moreover, on April 23, 2021 the Group received an order to purchase around 7.5 million shares, equivalent to 7% of the capital of SECO post-IPO, from Olivetti SpA, a company part of the Telecom Italia Group. SECO



decided to fully allocate that order, in order to launch a dialogue between SECO and Olivetti, for the purpose of building an industrial partnership specifically focused on developing and disseminating innovative hardware and software technologies and proprietary IoT solutions.

BUSINESS OUTLOOK

Despite the significant economic impacts caused by the Covid-19 pandemic at global level, in the first quarter of 2021, the SECO Group recorded a significant increase in its level of turnover. In particular, that result should be read in light of the continuation of those effect over the entire quarter just ended, differently from what occurred in the first quarter of 2020.

There was also a significant increase in the order book, also driven by the recovery of several Group clients operating in sectors such as Fitness, Coffee machines and Vending, markets that are usually important for SECO. Moreover, the considerable presence in sectors such as Medical and Aerospace & Defense contributed to increasing the resilience and anti-cyclicality of SECO's business.

Those elements lead us, even in a global economic scenario that is still marked by uncertainty, to tend towards an approach of confidence in the performance over the upcoming quarters of the year, as well as the continuing growth of the Group with a like-for-like scope, also driven by significant technological and product developments that SECO has introduced and will introduce on the market during 2021.

In particular, significant benefits are expected from the gradual dissemination of CLEA on the market, with an increase in the number of devices connected and the number of existing and new clients that will choose to adopt this platform.

Lastly, SECO has confidence that its strategy of global expansion will continue, also due to the successful conclusion of the listing process, which enabled the Group to obtain significant resources from national and international investors, as well as further increase the awareness of the SECO brand worldwide.

The Manager responsible for preparing the Company's financial reports, Lorenzo Mazzini, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance (Testo Unico della Finanza), that the accounting information contained in this press release corresponds to the documented results, accounts and bookkeeping records.