SECO S.p.A.

INTERIM REPORT

JUNE, 30 2021

SECO S.p.A.
Registered Office in Via A. Grandi 20, Arezzo, Italy
Share Capital Euro 1,048,343.74
VAT no. 00325250512
Arezzo Register of Companies no. 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

Chairman	Daniele Conti
Managing Director	Massimo Mauri
Directors	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

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

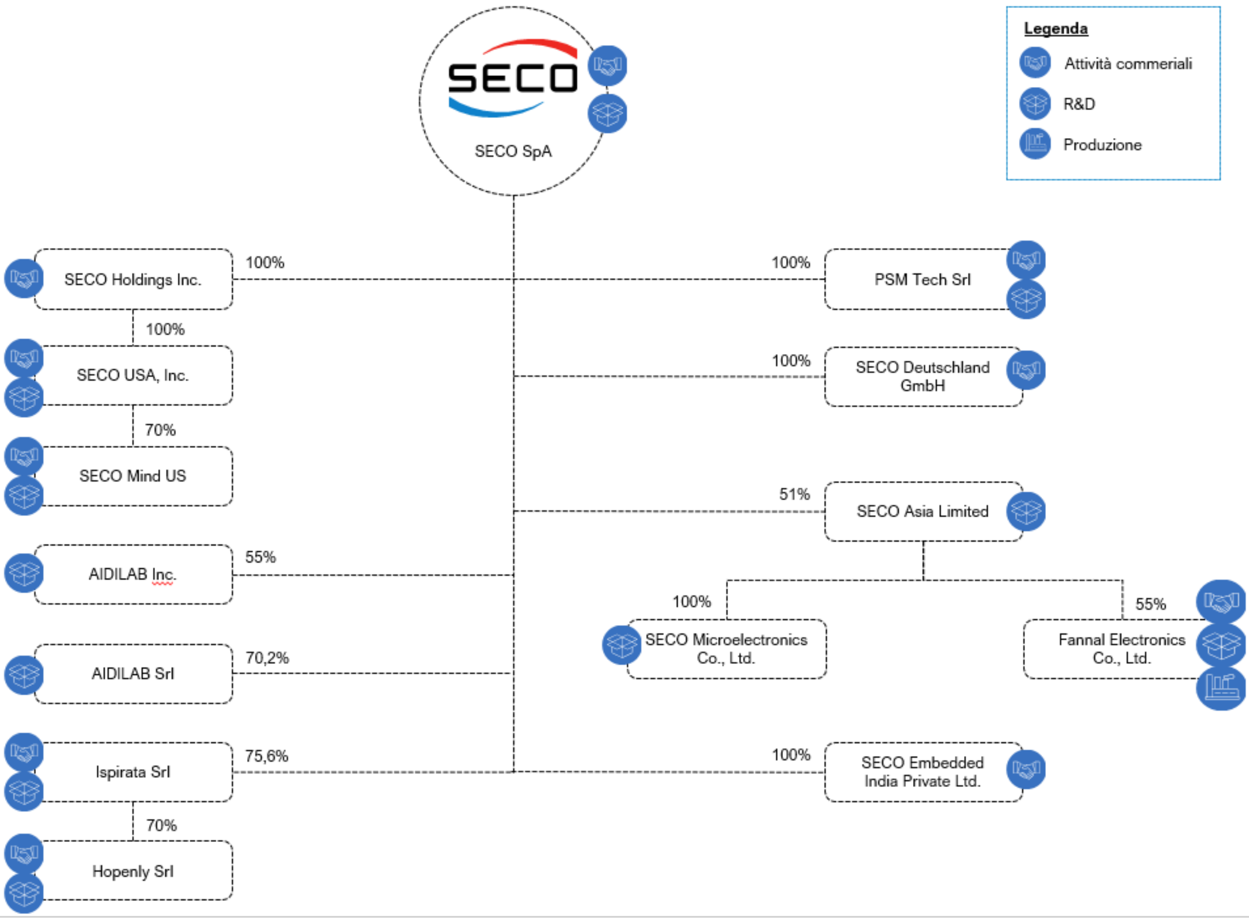
Financial Reporting Officer Lorenzo Mazzini

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 due to its innovative, customised solutions it guarantees to its clients.

INTERIM REPORT ON OPERATIONS

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 at the source (edge computing), networked 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, disbursement 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 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 much more than double digit rates, 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 extensively customise their use, analysing them in real time using sophisticated Artificial Intelligence algorithms, 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 by SECO as well as by clients 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 operation is planned to be finalised on July, 1 2021, with retroactive accounting effects starting from January, 1 2021.

In March, the SECO Group signed a partnership agreement with Microsoft to introduce and disseminate 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 upstream integration in developing human-machine interfaces, acquiring significant R&D expertise and increasing the Group's commercial and operational presence in the Asian and American markets.

Moreover, in June 2021 the Group completed the acquisition of the IoT and AI business branches from ORO Networks LLC and Piri.ai INC, through its subsidiary SECO MIND USA LLC. Refer to Note (4) in the Explanatory Notes for more details on the operation and the assets acquired.

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 make 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.

Performance in the first half

In a first half 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 Edge Computing and IoT markets, achieving important growth in turnover on the same half of the previous year. Sales revenues rose by 9.46% on the first half of 2020, while total sales revenues and other revenues and income increased by 2,550% if compared with the same period of the previous year. This increase was mainly due to the recognition in the first half of 2021 of the research and development tax credit operating grant and the Industry 4.0 tax credit asset grant.

In addition, with respect to growth in sales revenues of 6.4% in the first quarter of 2021 compared to the first quarter of 2020, the Group recorded a significant acceleration in sales revenues in the second quarter of 2021, 12.3% on the second quarter of 2020. This trend of increasing growth in sales revenues is expected to continue in the following quarters of the year, in light of the amount of the Group's order portfolio as at 30 June 2021, up by 65% on the order portfolio at the same date in 2020.

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 revenues is provided below. In particular, four Geographic Areas have been identified: EMEA, USA, APAC and ROW. The breakdown of sales revenues, indicating the specific geographic area, is as follows:

Geographic area	30/06/2021	30/06/2020	Change	% Change
EMEA	29,054	25,995	3,059	*11.77%*
- Italy	*23,301*	*19,833*	*3,468*	*17.48%*
USA	9,712	9,703	9	*0.09%*
APAC	3,002	1,482	1,520	*102.56%*
Rest of World (RoW)	26	1,003	(977)	*-97.41%*
Revenues by geographic area	**41,794**	**38,182**	**3,612**	**9.46%**

Sales revenues rose from Euro 38,182 thousand in the first half of 2020 to Euro 41,794 thousand in the first half 2021, increasing by 9.46% on the same half of the previous year. Those changes are the result of the growth in revenues, mainly in the EMEA and APAC areas.

Specifically, the breakdown of revenues was as follows:

- in Italy, an increase of Euro 3,468 thousand (+17.48%), as a result of continuation of the positive trend recorded in the last half of 2020;
- in the US, revenues remained substantially steady compared to the first half of 2020;

- in the APAC area, an increase of Euro 1,520 thousand (102.56%) due to the increase in sales volumes compared to the first half of the previous year;
- in the Rest of the World, revenues decreased by Euro 977 thousand (-97.41%) compared to the first half 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 2020.

Alternative Performance Indicators - Income Statement

The tables in this and the following section highlight the income statement and statement of financial income indicators used by the Group to monitor the economic and financial performance, as well as the methods for determining such indicators. With the aim of facilitating the understanding of the economic and financial performance of the Group, the Directors have identified some Alternative Performance Indicators (“API”).

For the purpose of a correct interpretation of those APIs, note that APIs are not measurements whose determination is regulated in international accounting standards (IFRS), and that the definitions of the API used by the Group, as they are not taken from the relevant accounting standards, may not be homogeneous with those adopted by other groups and therefore comparable with them.

EBITDA – This indicator is used by the Group as a financial target, which represents a useful unit of measure to assess operating performance. The EBITDA is calculated as the algebraic result of sales revenues and other revenues and operating income, net of the following costs: i) costs for raw materials, ancillary materials, consumables and goods, ii) changes in inventories, iii) costs for services, iv) write-downs of loans and allocations to provisions for risks, v) exchange gains or losses and vi) personnel costs.

Category	30/06/2021	30/06/2020	Change	% Change
Total revenues and operating income	43,230	38,236	4,994	13.06%
Costs for services, goods and other costs (*)	(25,801)	(23,240)	(2,561)	11.02%
Personnel costs	(9,205)	(7,636)	(1,569)	20.55%
EBITDA	**8,224**	**7,360**	**864**	**11.74%**

(*) Costs for services, goods and other costs include the following income statement items: costs for raw materials, ancillary materials, consumables and goods; changes in inventories, write-downs of loans and allocations to provisions for risk, and exchange gains or losses.

The increase between the two reference periods (Euro 864 thousand, +11.74%) 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 goods and the change in inventories. This was partially mitigated by the increase in personnel costs due to the increase in the workforce and the discounting of stock options disbursed to management.

Adjusted EBITDA – Adjusted EBITDA is a useful unit of measure to assess the Group's operating performance. Adjusted EBITDA is calculated as the EBITDA adjusted for exchange gains/losses, elements of income not relating to normal operations of the business and non-recurring elements of income included under the company's ordinary operations.

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.

Category	30/06/2021	30/06/2020	Change	% Change
EBITDA	**8,224**	**7,360**	**864**	**11.74%**
Exchange gains/(losses)	(329)	40	(369)	-919.43%
Income elements not relating to normal business operations	1,380	56	1,323	2352.95%
Non-recurring income elements that are part of the company's ordinary operations	27	0	27	0.00%
Adjusted EBITDA	**9,301**	**7,456**	**1,844**	**24.74%**

In the first half 2021, the Group recorded an Adjusted EBITDA of Euro 9,301 thousand, up by 24.74% on the same period of the previous year.

The income elements not relating to normal business operations, amounting to Euro 1,380 thousand, are: Euro 1,127 thousand relating to the value of the Stock Option Plans assigned to several managers of the Group, in addition to the free assignment to employees, and Euro 252 thousand in costs linked to extraordinary operations carried out during the half.

The non-recurring income elements that are part of the company's ordinary operations, amounting to Euro 27 thousand refer to costs relating to the health emergency under way and settlement costs of the US subsidiary.

Alternative Performance Indicators - Statement of Financial Position

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 half of 2021 compared to 31 December 2020.

As at June, 30 2021, the Group's net financial indebtedness was a positive Euro 71,056 thousand, compared to a negative Euro 17,843 thousand as at December, 31 2020

Total net financial indebtedness decreased by Euro 84,545 thousand due to the increase in Group cash and cash equivalents, obtained through the listing on the stock exchange in May. Moreover, in the first half of 2021, no new loans were subscribed.

Category	30/06/2021	31/12/2020	Change	% Change
A. Cash	12	14	(2)	-17%
B. Other cash equivalents	110,389	23,664	86,725	366%
C. Other current financial assets	0	0	0	0%
D. Cash and cash equivalents (A) + (B) + (C)	**110,400**	**23,678**	**86,722**	366%
E. Current financial indebtedness	(9,084)	(9,077)	(7)	0%
F. Current portion of non-current indebtedness	(5,881)	(5,163)	(718)	14%
G. Current financial indebtedness (E)+(F)	**(14,965)**	**(14,240)**	**(725)**	5%
H. Current net financial indebtedness (G)+(D)	**95,436**	**9,438**	**(87,447)**	-927%
I. Non-current financial indebtedness	(24,380)	(27,281)	2,901	-11%
J. Debt instruments	0	0	0	0%
K. Trade payables and other non-current payables	0	0	0	0%
L. Non-current financial indebtedness (I)+(J)+(K)	**(24,380)**	**(27,281)**	**2,901**	-11%
M. Total financial indebtedness (H)+(L)	**71,056**	**(17,843)**	**(84,545)**	**474%**

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/2021/32/382/1138 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, and any put & call options subscribed.

Category	30/06/2021	31/12/2020	Change	% Change
Net financial indebtedness	**71,056**	**(17,843)**	**88,899**	**-498.23%**
(+) VAT Credit	1,341	4,666	(3,325)	-71.25%
(-) Non-current financial liabilities deriving from put & call options	(320)	0	(320)	0.00%
(-) Current financial liabilities deriving from leases	(546)	(537)	(9)	1.65%
(-) Non-current financial liabilities deriving from leases	(1,389)	(1,194)	(195)	16.33%
Adjusted net financial indebtedness	**74,652**	**(11,446)**	**86,098**	**-752.21%**

Adjusted net financial indebtedness switch from a net indebtedness of Euro 11,446 thousand recorded as at December, 31 2020 to a net cash of Euro 74,652 thousand as at June, 30 2021. The increase is due to the effects analysed in the previous section, as well as, substantially, to the collection of the 2020 VAT credit for which a refund was requested, recorded in the financial statements as at December, 31 2020.

SECO on the stock exchange

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, with total demand exceeding Euro 400 million, or around 2.5 times the size of the offer.

The first day of trading was May, 5 2021, at an initial offer price set at Euro 3.7 per share. On June, 30 2021, the share price was Euro 3.83 per share, up by 3.38% on the initial offer price, and equal to capitalisation of around Euro 411 million.

Significant Subsequent Events

In July 2021 the Group concluded the merger of the IoT branch, integrating into the single company name SECO Mind Srl (the new name of the former Ispirata Srl) the companies Hopenly Srl and Aidilab Srl.

On August, 3 2021, SECO signed a long-term partnership agreement with Olivetti SpA to jointly work on the development, marketing and sale of smart hardware and software solutions, to support the acceleration the process of digitalisation of companies.

In light of the agreement, SECO and Olivetti significantly strengthen their industrial partnership for the supply of hardware devices currently included in SECO's product catalogue, as well as for the co-development of hardware and software solutions dedicated specifically to Olivetti and to be distributed with the brand "Olivetti powered by SECO". Such solutions will find application both in sectors in which Olivetti has launched a dedicated proposition (smart cities, urban services, industrial automation, smart agriculture, etc.) and in the digital payment systems sector, as well as in the world of connected devices.

This partnership was conceived to accelerate the digital transformation process of the TIM Group's business clients, both in the Large and Small-Medium Enterprises segments, as well as the Public Administration sector. Products released by Olivetti thanks to the industrial partnership with SECO will be sold in exclusivity by the TIM Group's sales force.

Based on this agreement, Olivetti will significantly rationalise its supply chain and accelerate the time-to-market of its products, being able to count on the R&D expertise of SECO as Olivetti's technology partner and preferred supplier for the world of IoT solutions: SECO will ensure the qualitative standards and the efficiency of the product manufacturing processes, as well as the efficient management of the supply chain and the optimisation of the activities related to the production phase. In addition, SECO will make its System Integration, Hardware Development, Software Development, Validation & Verification teams available, together with its simulation and testing labs so as to minimize the certification and launch of the new products developed within the context of the partnership.

Moreover, on August, 3 2021 Olivetti increased its shareholding in SECO from 7% to 9.6% of the capital. That operation was carried out through the purchase of 2,773,943 shares previously held by Fondo Italiano di Investimento SGR S.p.A., whose shareholding in SECO thus decreased from 8.1% to 5.5% of the capital.

Outlook for Operations

Despite the fact that relative uncertainty remains at global level, linked to the effects of the Covid-19 pandemic at global level, in the first half of 2021, the SECO Group recorded a significant increase in its level of sales revenues. The growth in sales revenues increased significantly in the second quarter of 2021 on the first, compared with the same periods of the previous year (+12.3% in the second quarter, compared to +6.4% in the first quarter). Based on the analysis of the amount of the order portfolio, that trend of acceleration in the growth of revenues is expected to continue in the near future.

The order portfolio increased significantly at June, 30 2021, by 65% compared to the level at that same date in the previous year. In July 2021, the SECO Group acquired new orders exceeding Euro 20 million, recording the highest monthly order intake value since it was established.

Fully deriving from organic growth, the increase in new orders was primarily driven by clients based in the USA and the EMEA area. The sectors which saw the most growth included some of the sectors that have been the most significant for SECO over time, such as Fitness, Industrial Automation, Coffee and Vending Machines, as well as sectors such as Medical and Aerospace & Defense, which contributed to increasing the resilience and anti-cyclicality of SECO's business.

Moreover, based on the levels of turnover and orders as at June, 30 2021, we expect significant benefits from the gradual adoption of the IoT-AI platform “CLEA” by new and existing customers, offering Software-as-a-Service that is capable of reaching an ever-increasing number of devices. Additional considerable benefits are also expected to derive from the Artificial Intelligence expertise of Oro Networks, as SECO Mind US completed the purchase of its business branch relating to Artificial Intelligence at the end of June 2021.

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. For those reasons, SECO's management decided to revise upwards the guidance on Total revenues and operating income for 2021, bringing it up to the range of Euro 97-102 million.

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.

CONDENSED CONSOLIDATED INTERIM REPORT AS AT JUNE, 30 2021

Consolidated Statement of Financial Position

Category	Note	30/06/2021	31/12/2020
Tangible fixed assets	1	12,956	13,272
Intangible fixed assets	2	17,395	12,996
Rights of use	3	2,214	1,912
Goodwill	4	14,604	7,066
Non-current financial assets	5	132	246
Deferred tax assets	6	663	623
Other non-current assets	7	509	492
Total non-current assets		**48,473**	**36,607**
Inventories	8	35,431	31,417
Trade receivables	9	19,395	15,029
Tax receivables	10	4,640	9,080
Other receivables	11	3,864	2,556
Cash and cash equivalents	12	110,400	23,678
Total current assets		**173,731**	**81,760**
TOTAL ASSETS		**222,203**	**118,367**
Share Capital		1,048	776
Share premium reserve		108,472	14,781
Reserves		29,672	24,231
Group profit (loss)		2,910	4,038
Total Group Shareholders' Equity	**13**	**142,102**	**43,826**
Minority interests in shareholders' funds		10,412	5,700
Minority interests in profit (loss)		667	1,438
Minority interests	**14**	**11,078**	**7,138**
Total Shareholders' Equity		**153,180**	**50,964**
Employee benefits	15	2,882	2,973
Provisions for risks	16	89	89
Deferred tax liabilities	17	43	43
Non-current financial payables	18	22,991	26,087
Non-current financial liabilities deriving from leases	19	1,389	1,194
Other non-current payables	20	649	608
Total non-current liabilities		**28,042**	**30,994**
Current financial liabilities	21	8,538	8,540
Current portion of non-current financial payables	22	5,881	5,163
Current financial liabilities deriving from leases	23	546	537
Trade payables	24	18,258	15,289
Other current payables	25	6,189	5,393
Tax payables	26	1,570	1,487
Total current liabilities		**40,981**	**36,409**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**222,203**	**118,367**

Consolidated income statement

Category	Note	30/06/2021	30/06/2020
Sales revenues	**27**	41,794	38,182
Other revenues and income	**28**	1,436	54
Costs for raw materials, ancillary materials, consumables and goods	**29**	(25,797)	(25,692)
Changes in inventories		4,077	5,996
Costs for services	**30**	(3,583)	(2,952)
Personnel costs	**31**	(9,205)	(7,636)
Amortisation and depreciation	**32**	(2,997)	(2,063)
Write-downs of loans and Provisions for risks	**33**	(30)	(40)
Other operating costs	**34**	(797)	(513)
Operating profit (loss)		**4,897**	**5,337**
Financial income		4	4
Financial charges	**35**	(258)	(110)
Exchange gains/(losses)		329	(40)
Profit (loss) before tax		**4,972**	**5,191**
Income taxes	**36**	(1,395)	(1,402)
Profit/Loss for the year		**3,576**	**3,789**
Minority interests in profit (loss)		667	729
Group profit (loss)		**2,910**	**3,060**
Basic earnings per share		0.04	4.00
Diluted earnings per share		0.04	4.00

(*) For the income statement data as at June, 30 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

Category	30/06/2021	30/06/2020
Profit/Loss for the year	**3,576**	**3,789**
Other comprehensive income/(loss) that will subsequently be reclassified to the income statement:	**304**	**(83)**
Exchange differences from conversion	304	(83)
Other comprehensive income/(loss) that will not subsequently be reclassified to the income statement:	**0**	**0**
Discounting of employee benefits	0	0
Taxation of discounting of employee benefits	0	0
Total comprehensive income for the year	**3,880**	**3,706**
Minority shareholders	807	694
Shareholders of the Parent Company	3,073	3,012
Total comprehensive income/(loss) for the year	**3,880**	**3,706**

SECO

Consolidated Cash Flow Statement

Category	30/06/2021	30/06/2020
Profit/Loss for the year	**3,576**	**3.788**
Income taxes	1,395	1.402
Amortisation and depreciation	2,997	2.063
Net change in employee benefits	(91)	(37)
Costs for share-based payments	1,127	0
Cash flow before changes in NWC	**9,005**	**7.217**
Changes in trade receivables	(4,163)	(1.009)
Changes in inventories	(4,015)	(6.352)
Changes in trade payables	2,969	5.630
Other changes in Net Working Capital	2,514	1.516
Other changes in non-current receivables and payables	(10)	274
Changes in Provisions for Risks	0	0
Income taxes paid	0	0
Cash flows from operating activities (A)	**6,301**	**7.276**
(Investments)/Divestments in tangible fixed assets	(889)	(959)
(Investments)/Divestments in intangible fixed assets	(4,580)	(942)
(Investments)/Divestments in financial assets	113	9
Acquisition of business branches net of cash and cash equivalents	(5,806)	0
Acquisition of subsidiaries net of cash and cash equivalents	0	(2.472)
Cash flow from investment activities (B)	**(11,162)**	**(4.364)**
Raising/(Repayment) of non-current financial payables	(2,378)	(5.750)
Raising/(Repayment) of current financial liabilities	(2)	4.714
Repayments of financial liabilities deriving from leases	(303)	(93)
Dividends paid	0	0
Net increase in capital against payment	93,963	9
Share capital increases of subsidiaries	0	0
Cash flow deriving from financing activities (C)	**91,279**	**(1.119)**
Increase (decrease) in cash and cash equivalents (A+B+C)	**86,418**	**1.792**
Cash and cash equivalents at the beginning of the year	**23,678**	**16.598**
Conversion differences	304	(82)
Cash and cash equivalents at the end of the year	**110,400**	**18.309**

Statement of Changes in Consolidated Shareholders' Equity

Category	01/01/2021	Share Capital increase	Entrance of new minority interests due to business combinations	Allocation of profit	Other changes	Comprehensive income/(loss)	30/06/2021
Share Capital	776	272	0	0	0	0	1,048
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	14,781	99,628	0	0	(5,937)	0	108,472
Other reserves	24,850	0	0	4,038	1,240	0	30,128
Translation reserve	(432)	0	0	0	0	163	(269)
FTA reserve	(371)	0	0	0	0	0	(371)
Discounting of employee benefits	(105)	0	0	0	0	0	(105)
Group profit (loss)	4,038	0	0	(4,038)	0	2,910	2,910
Group Shareholders' Equity	**43,826**	**99,900**	**0**	**0**	**(4,697)**	**3,073**	**142,102**
Minority interests in shareholders' funds	5,701	0	3,246	1,438	(112)	141	10,413
Discounting of employee benefits	(1)	0	0	0	0	0	(1)
Minority interests in profit (loss)	1,438	0	0	(1,438)	0	667	667
Minority interests	**7,138**	**0**	**3,246**	**0**	**(112)**	**807**	**11,078**
Total Shareholders' Equity	**50,964**	**99,900**	**3,246**	**0**	**(4,810)**	**3,880**	**153,180**

Category	01/01/2020	Share Capital increase	Entrance of new minority interests due to business combinations	Allocation of profit	Other changes	Comprehensive income/(loss)	30/06/2020
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	18.901	0	0	5.246	0	0	24.147
Translation reserve	(82)	0	0	0	0	(48)	(130)
FTA reserve	(371)	0	0	0	0	0	(371)
Discounting of employee benefits	(77)	0	0	0	0	0	(77)
Group profit (loss)	5.246	0	0	(5.246)	0	3.060	3.060
Group Shareholders' Equity	**39.454**	**9**	**0**	**0**	**0**	**3.012**	**42.475**
Minority interests in shareholders' funds	4.406	0	0	580	0	(35)	4.951
Discounting of employee benefits	(1)	0	0	0	0	0	(1)
Minority interests in profit (loss)	580	0	0	(580)	0	729	729
Minority interests	**4.985**	**0**	**0**	**0**	**0**	**694**	**5.679**
Total Shareholders' Equity	**44.439**	**9**	**0**	**0**	**0**	**3.706**	**48.155**

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM REPORT AS AT JUNE, 30 2021

The publication of this Condensed Consolidated Interim Report as at June, 30 2021, subject to limited audit by Deloitte & Touche S.p.A., was authorised by resolution of the Board of Directors dated September, 10 2021.

Accounting standards and valuation criteria

Content and form of the financial statements

The Condensed Consolidated Interim Report as at June, 30 2021 was drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union. The IFRS also include all the Revised International Accounting Standards ("IAS") and all the Interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"). In particular, the Condensed Consolidated Interim Report was drawn up in application of IAS 34 on Interim Financial Reporting. The information reported in the Condensed Consolidated Interim Report must be read alongside the Consolidated Financial Statements as at December, 31 2020, drawn up in compliance with the IFRS.

In drawing up the Condensed Consolidated Interim Report as at June, 30 2021, the same accounting standards used in drawing up the Consolidated Financial Statements as at December, 31 2020 were applied, to which reference is made, with the exception of that set out in the section "Accounting Standards, Amendments and Interpretations Applied from January, 1 2021".

The Condensed Consolidated Interim Report was also drawn up in compliance with the measures adopted by CONSOB on financial statement layouts, applying art. 9 of Italian Legislative Decree 38/2005 and the other CONSOB rules and provisions on financial statements. The financial statements are drawn up on a going concern basis and based on the principle of historic cost, with the exception of the measurement of certain financial instruments, for which the fair value criterion is applied.

The preparation of the Condensed Consolidated Interim Report and the related Explanatory Notes in application of the IFRS requires that Directors make estimates and assumptions that impact the values of revenues, costs, assets and liabilities in the interim report and the disclosure on the potential assets and liabilities as at June, 30 2021. For a more detailed description of the most significant measurement processes for the Group, refer to the section "Use of estimates" in the Consolidated Financial Statements as at December, 31 2020. If, in the future, those estimates and assumptions, which are based on the best assessment by the Directors, should differ from actual circumstances, they shall be appropriately modified in the period in which such circumstances change. The estimates and assumptions are periodically revised and the impacts of each change are immediately reflected in the Income Statement or in Shareholders' Equity.

Moreover, it is noted that certain measurement processes, specifically the more complex ones, such as determining any impairment of non-current assets, are generally fully carried out only on drawing up the annual financial statements, if and when all the information required is available, save for the cases where there are indicators of impairment that require immediate measurement of any impairment.

Income taxes are recognised based on the best estimate of the average weighted tax rate expected for the entire year.

Unless otherwise indicated, the amounts set out in this Consolidated Interim Report are shown in thousands of Euro.

Consolidation area and principles

The Consolidated Financial Statements include the separate financial statements of SECO SpA. (Parent Company) and the companies in which the Parent Company directly and/or indirectly holds the controlling stake. For those companies, the line-by-line consolidation method was used.

The consolidation area includes the following companies:

• SECO SpA, with registered offices in Via Achille Grandi no. 20, Arezzo 52100, Italy, tax code/VAT no. 00325250512, share capital Euro 1,048,343.74.

• PSM Tech S.r.l., with registered office in Via Achille Grandi no. 18, Arezzo 52100, Italy, tax code/VAT no. 02301580516, share capital Euro 30,000.00.

• SECO Holdings, Inc., with registered office in Burlington, Massachusetts (USA), share capital USD 3,610,000.00.

• SECO Deutschland Gmbh, with registered office in Hanau (Federal Republic of Germany), share capital Euro 25,000.00.

• Aidilab S.r.l., with registered office in Via Leonida Cialfi 23, Sienna 53100, Italy, share capital Euro 15,300.00.

• SECO Asia Limited, with registered office in Hong Kong, share capital Euro 6,999,957.05.

• Fannal Electronics Co., Ltd, with registered office in 6F, No. 77, Bowang Street, Yuhang District, Hangzhou, Zheijang (People's Republic of China), share capital RMB 7,365,517.00.

• Ispirata S.r.l., with registered office in Via Mosè Bianchi 71, Milan 20149, Italy, share capital Euro 44,441.00, increased by Euro 8,325 due to a share capital increase subscribed and paid in by Seco S.p.A.

• Hopenly S.r.l., with registered office in Via G. Mazzini 8, Vignola (MO) 41058, Italy, share capital Euro 16,000.00.

• 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 Rockville, Maryland (USA), share capital USD 12,857,143, company established in May 2021.

Any associated companies and minor companies in which the shareholding held is less than 20%, which constitute non-current financial assets are measured at fair value through profit and loss (FVTPL).

For consolidation, the separate financial statements of the individual Companies, previously drawn up by the respective administrative bodies for approval, reclassified and adjusted to align them with the accounting standards and presentation criteria adopted by the Group.

Pursuant to IFRS 10, a company is considered a subsidiary when the Group is exposed, or has rights, to variable returns from its involvement with the investee and also has the ability to affect those returns through its power over the investee.

Generally, it is assumed that the majority of voting rights results in control. To support that assumption, where the Group holds less than the majority of voting rights, pursuant to said IFRS 10, the Group considers all the relevant circumstances to establish whether the control of the investment entity, including any contractual agreements with other holders of voting rights.

Consolidation is carried out using the line-by-line method. Assets and liabilities, expenses and income of the consolidated companies are fully taken on in the consolidated financial statements from the time of acquisition of control until the date of termination of control. According to the provisions of IFRS 3, subsidiaries acquired by the Group are recorded using the acquisition method, based on which:

- The consideration transferred in a business combination is measured at fair value, calculated as the sum of the fair value of the assets and liabilities taken on by the Group at the acquisition date and any capital instruments issued in exchange for control of the company acquired. Transaction costs are recognised in the income statement at the time they are incurred;
- Goodwill is initially recognised at cost, represented by the amount of the sum of the consideration paid and the amount recorded for minority interests which exceeds the net identifiable assets acquired and liabilities assumed by the Group. That goodwill is not amortised, but is subject to impairment testing to verify its recoverability, at least annually, and in any event, when events occur that give reason to assume that impairment has occurred;
- If the fair value of the net assets acquired exceeds the total consideration paid, the Group newly verifies that it has correctly identified all the assets acquired and liabilities assumed, and reviews the procedures used to determine the amounts to be recorded at the acquisition date. If the new measurement provides a fair value of the net assets acquired that is still higher than the consideration, the different (gain) is recognised in the income statement.

The shares of shareholders' equity and profit (loss) for the period attributable to minority interests are indicated separately in the Statement of Financial Position, the Income Statement and the Statement of Comprehensive Income.

Payables and receivables, charges and income relating to transactions between companies included in the consolidation area are netted. Profits deriving from transactions between those companies, relating to values still included in shareholders' equity that are attributable to shareholders of the parent company are eliminated. Taxes deriving from consolidation adjustments are recorded in the item Deferred tax liabilities if payable and Deferred tax assets if receivable.

Transactions in foreign currency are recorded at the spot exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted at the spot exchange rate at the reporting date.

The separate financial statements of each company in the Group are prepared in the currency of the primary economic environment in which the company operates (functional currency). For the purposes of the consolidated financial statement, the financial statement of each foreign entity are stated in Euro, which is the Group's functional currency and the presentation currency of the consolidated financial statements. All assets and liabilities of foreign companies in currency other than the Euro which are included in the consolidation area are converted using the spot exchange rates at the reporting date (current exchange rate method). Income and costs are converted at the average exchange rate for the year. The exchange differences from conversion resulting from the application of this method, as well as the exchange differences from conversion resulting from the comparison with the opening shareholders' equity converted at current exchange rates and that converted at historic exchange rates, pass through the statement of comprehensive income and are accumulated in a specific shareholders' equity reserve until the shareholding is sold.

The exchange rates used to convert the financial statements of consolidated companies into Euro are shown in the specific table:

Category	Exchange rate as at June, 30 2021	Average exchange rate 2021	Average exchange rate 2020	Exchange rate as at December, 31 2021
US Dollar (USD)	1.1884	1.2053	1.1020	1.2271
Chinese Yuan (CNY)	7.6742	7.7960	7.7509	8.0225

Accounting Standards, Amendments and Interpretations Applied from January, 1 2021

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

On May, 28 2020, the IASB published the amendment "***Covid-19 Related Rent Concessions (Amendment to IFRS 16)***". The amendment allows lessees to record Covid-19 related rent concessions without having to assess, through contract analysis, whether they meet the definition of a lease modification as per IFRS 16. Therefore, lessees that apply that option can account for the effects of rent concessions directly in the income statement at the effective date of the concession. That amendment applies to financial statements starting on or after 1 June 2020. The adoption of that amendment had no effects on the Group's consolidated financial statements.

On May, 28 2020, the IASB published the amendment "***Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)***". The amendments allow insurance companies to temporarily extend the exemption from applying IFRS 9 up to January, 1 2023. The adoption of that amendment had no effects on the Group's consolidated financial statements.

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

- IFRS 9 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 on January, 1 2021. The adoption of that amendment had no effects on the Group's consolidated financial statements.

IFRS and IFRSI accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not subject to early adoption by the Group as at June, 30 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 Conceptual Framework, without this resulting in changes to the provisions of the standard.

Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is to forbid the deduction from the cost of property, plant and equipment of the amount received from selling goods produced in the testing phase of the asset. Those sales proceeds and related costs shall therefore be recognised in the income statement.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating whether a contract is onerous, all costs that relate directly to the contract must be considered. As a result, assessing whether a contract is onerous shall not only include incremental costs (such as, for example, the cost of materials directly used in processing), but also all the costs that the company cannot avoid, in that it entered into the contract (such as, for example, the accumulated depreciation of the machinery used to fulfil the contract).

Annual Improvements 2018-2020: amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and to the Illustrative Examples of IFRS 16 Leases.

All the amendments will enter into force on January, 1 2022. The directors do not expect significant effects on the Group's consolidated financial statements due to the adoption of those amendments.

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

At the reporting date of this document, the competent bodies of the European Union had not completed the endorsement process necessary to adopt the amendments and standards described below.

On May, 18 2017 the IASB published ***IFRS 17 – Insurance Contracts***, which is intended to replace IFRS 4 – Insurance Contracts.

The objective of the new standard to guarantee that an entity provides pertinent information that faithfully represents the rights and obligations deriving from the insurance contracts issued. The IASB developed this standard to eliminate inconsistencies and weaknesses in the existing, providing a single, principle-based framework to take account of all types of insurance contracts, including reinsurance contracts, that an insurer holds.

The new standard also sets out presentation and disclosure requirements to improve the comparability between entities in this sector.

The new standard measures an insurance contract using a General Model or a simplified general model, called a Premium Allocation Approach ("PAA").

The main characteristics of the General Model are:

- the estimates and assumptions of future cash flows are always current;
- the measurement reflects the time value of money;
- the estimates entail the extensive use of information observable on the market;
- there is current, explicit risk measurement;
- the expected profit is deferred and aggregated into groups of insurance contracts at the time of initial recognition; and,
- the expected profit is recognised in the contractual coverage period taking account of the adjustments due to changes in cash flow assumptions relating to each group of contracts.

The PAA entails measuring liability for the residual coverage of a group of insurance contracts provided that, at the time of initial recognition, the entities considers that liability to reasonably approximate the General Model. Contract with a coverage period of one year or less are automatically suitable for the PAA. The simplifications deriving from the application of the PAA method do not apply to the measurement of liabilities for outstanding claims, which are measured using the General Model. Nonetheless, it is not necessary to discount those cash flows if the balance to be paid or collected is expected to be due within one year from the date of the claim.

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

The standard applies starting on January, 1 2023, but early application is permitted only for entities that apply IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.

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 liabilities as current or non-current. The amendments will apply on 1 January 2023, but early application is permitted. The directors are currently assessing the possible effects of introducing this amendment to the Group's 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 amendments aim to improve the disclosure of accounting policies in order to provide more useful information to investors and other users of the financial statements, as well as to aid companies in distinguishing changes in accounting estimates from changes in accounting policies. The amendments will apply on January, 1 2023, but early application is permitted. The directors do not expect significant effects on the Group's consolidated financial statements due to the adoption of those amendments.

On March, 31 2021, the IASB published an amendment entitled "***Covid-19-Related Rent Concessions beyond June, 30 2021 (Amendments to IFRS 16)***" with which it extends the period of application of the amendment to IFRS 16, issued in 2020, regarding the recording of Covid-19-related rent concessions, to one year. The amendments will apply on April, 1 2021, but early adoption is permitted. The directors do not expect significant effects on the Group's consolidated financial statements due to the adoption of that amendment.

On May, 7 2021, the IASB published an amendment entitled "***Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction***". The document clarifies the method for accounting for deferred tax on certain transactions that may generate assets and liabilities of the same amount, such as leases and decommissioning obligations. The amendments will apply on January, 1 2023, but early application is permitted. The directors do not expect significant effects on the Group's consolidated financial statements due to the adoption of that amendment.

On January, 30 2014, the IASB published the standard ***IFRS 14 – Regulatory Deferral Accounts*** which allows only first-time adopters of the IFRSs to recognise amounts relating to rate regulation activities in accordance with the previous accounting standards adopted. As the Company/Group is not a first-time adopter, that standard is not applicable.

Segment information

The management has identified one single operating segment, in line with the management and control model used. Specifically, the breakdown of disclosure matches the structure of the periodic reporting analysed by the Board of Directors for the purposes of managing the business.

As required by IFRS 8, despite the fact that there is only one operating segment, information regarding the geographic distribution of revenues is provided. In particular, 4 Geographic Areas have been identified: EMEA, USA, APAC and ROW. Refer to the section on Sales Revenues by Geographic Area in the Interim Report on Operations for details on the breakdown of revenues by geographic area and the performance analysis.

Risk management policies

The international accounting standard IFRS 7 requires that supplementary information be provided in the financial statements that enables users of its financial statements to evaluate:

- the significance of financial instruments with regard to the statement of financial position and income statement results of the Group;
- the nature and extent of risks arising from financial instruments that the Group is exposed to during the year and at the reporting date, and the methods used to manage these risks.

The requirements of that standard include criteria for the recognition, measurements and presentation in the financial statements of the financial assets and liabilities contained in IAS 32 "Financial Instruments: Presentation" and in IFRS 9 “Financial Instruments: Recognition and Measurement”. This section thus reports the additional information envisaged by IFRS 7.

The Group’s business is exposed to a series of financial risks that may have an impact on the net worth/financial position, the financial results and the financial flows via the related impact on the transactions in financial instruments in place. These risks can be summarised as follows:

a) credit risk;

b) liquidity risk;

c) interest rate risk;

d) risk associated with the fluctuation of exchange rates.

The overall responsibility for creating and supervising a financial risk management system of the Group lies with the Board of Directors, to which the various organisational units functionally responsible for the operational management of the single types of risk report.

Those units define, within the guidelines set up by the management body, and for each specific risk, the tools and technical measures to ensure the coverage and/or transfer to third parties (insurance) of such risk, or assess risks that are neither covered or insured.

The degree of significance of the Group's exposure to the various categories of financial risk identified are illustrated below.

Credit risk

The Group is exposed to the risk of its customers delaying in making payments in accordance with the timescales and procedures agreed upon or failing to do so altogether and the risk that the internal procedures adopted for the purposes of assessments a customer’s credit rating and solvency are insufficient for the purposes of ensuring that payments are properly collected. The occurrence of those risks could have negative effects on the economic, financial and capital situation of the Group.

To mitigate that risk, which is considered low at the time of approval of this Condensed Consolidated Interim Report in relation to the analysis of trade receivables due from third parties, the Group monitors the credit quality of counterparties based on internal or external ratings and sets credit limits subject to regular monitoring.

Liquidity risk

The Group is exposed to the risk of not being able to obtain new loans or the renewal of existing loans under terms not inferior to the existing ones, or it may default on the covenants assumed in the existing loan contracts. In addition, any violation of the covenants envisaged by some loan contracts may, in some cases, determine (by virtue of cross default clauses) the application of the acceleration clause with respect to other loan contracts The occurrence of those risks could have significant negative effects on the economic, financial and capital situation of the Group.

Considering the current net financial indebtedness and the current capacity to generate positive cash flows from operations, in the economic scenario that the Group was operating in at the time of approval of this Consolidated Interim Report, liquidity risk was assessed as low. The Group has credit lines granted by the banking system, which are adequate for its operating needs.

The Group's cash flows, need for funding and liquidity are carefully monitored and handled by:

- maintaining an adequate level of available cash;
- diversifying the tools used in order to secure the financial resources;
- securing adequate credit lines;
- monitoring cash projections in relation to the business planning process.

Interest rate risk

The Group is subject to the risk of fluctuations in interest rates relating to its indebtedness. Any variations in interest rates (EURIBOR) could impact the increase or decrease in funding costs.

If significant fluctuations of the interest rates occur, the financial charges deriving from the loan contracts may increase, even significantly. As far as the Group is aware, in three-year period of July, 1 2018 – June, 30 2021, no significant events of the nature described above occurred.

The Group regularly assesses its interest rate risk exposure and manages these risks with the use of financial derivative instruments, which are not formally designated as hedges. Financial derivative instruments are exclusively used in order to manage the exposure to fluctuations in the interest rates connected with monetary flows.

Risk associated with the fluctuation of exchange rates

The Group carries out its activity even in countries outside the Eurozone. In addition, the financial statements of the non-EU foreign subsidiary companies are prepared in local currency and translated into Euros. Therefore, the Group is exposed to the risk of significant fluctuations in exchange rates: (i) economic exchange rate risk, namely the risk that revenues and costs denominated in currencies other than the Euro may assume different values compared to when the price terms were defined; (ii) translation exchange rate risk, deriving from the fact that SECO - despite preparing its financial statements in Euros - holds controlling investments in companies that prepare their financial statements in different currencies and, consequently, carries out operations to convert assets and liabilities expressed in currencies other than the Euro.

At the reporting date of these Financial Statements, the Group does not adopt hedging instruments for exchange rate fluctuations. The Group, in order to manage operationally the exchange rate risk, makes purchase and sale operations in the same local currency through bank accounts opened in the individual countries.

Financial assets and liabilities

The table below shows the breakdown of financial assets and liabilities by measurement method used.

Financial assets as at 30/06/2021	Assets at FVPL	Assets at FVTO	Assets at amortised cost	Total
Non-current financial assets	89	0	43	132
Trade receivables	0	0	19,395	19,395
Other receivables	0	0	3,864	3,864
Total financial assets pursuant to IFRS 7	**89**	**0**	**23,302**	**23,391**

Financial assets as at 31/12/2020	Assets at FVPL	Assets at FVTO	Assets at amortised 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 pursuant to IFRS 7	**89**	**0**	**17,743**	**17,832**

Financial liabilities as at 30/06/2021	Assets at FVPL	Assets at FVTO	Assets at amortised cost	Total
Non-current financial liabilities deriving from leases	0	0	1,389	1,389
Non-current financial payables	0	0	22,991	22,991
Total non-current financial liabilities	**0**	**0**	**24,380**	**24,380**
Current financial liabilities	21	0	8,517	8,538
Current financial liabilities deriving from leases	0	0	546	546
Current portion of current financial payables	0	0	5,881	5,881
Total current financial liabilities	**21**	**0**	**14,944**	**14,965**
Trade payables	0	0	18,258	18,258
Other non-current payables	600	0	49	649
Other current payables	0	0	6,189	6,189
Total financial liabilities pursuant to IFRS 7	**621**	**0**	**63,820**	**64,441**

Financial liabilities as at 31/12/2020	Assets at FVPL	Assets at FVTO	Assets at amortised cost	Total
Non-current financial liabilities deriving from leases	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 liabilities deriving from leases	0	0	537	537
Current portion of 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 pursuant to IFRS 7	**827**	**0**	**61,984**	**62,811**

Notes to the Statement of Financial Position

(1) Tangible fixed assets

Category	30/06/2021	31/12/2020	Change
Land and buildings	4,468	4,549	(81)
Plant and machinery	5,876	6,418	(542)
Other tangible assets	2,384	2,175	209
Work in progress	229	131	98
Total tangible fixed assets	**12,956**	**13,272**	**(316)**

The main investments made by the Group during the half year in question amounted to Euro 902 thousand, and primarily regarded the categories "Plant and Machinery" and "Other tangible assets".

Plant and Machinery increased by Euro 300 thousand due for the purchase of new machinery to support the growth in production of SECO SpA and Fannal, while Other assets increased by Euro 502 thousand following the ongoing investments made in equipment required by the R&D function to support the development of new projects and upgrades to the latest technological standards of the sector.

The table below shows the changes during the period:

	Land and buildings	Plant and machinery	Other tangible assets	Work in progress	Total
Historic cost as at 31/12/2020	5,007	10,455	3,875	131	19,467
Increases	3	300	502	98	902
Decreases	0	(152)	(32)	0	(185)
Historic cost as at 30/06/2021	***5,009***	***10,602***	***4,345***	***229***	***20,185***
Accumulated amortisation as at 31/12/2020	(458)	(4,037)	(1,700)	0	(6,195)
Amortisation and depreciation	(84)	(833)	(289)	0	(1,205)
Decreases	0	143	28	0	172
Accumulated depreciation as at 30/06/2021	***(542)***	***(4,726)***	***(1,960)***	***0***	***(7,228)***
Net value as at 31/12/2020	4,549	6,418	2,175	131	13,272
Net value as at 30/06/2021	**4,468**	**5,876**	**2,384**	**229**	**12,956**

(2) Intangible fixed assets

Category	30/06/2021	31/12/2020	Change
Development costs	7,315	8,319	(1,004)
Software	3,506	1,929	1,577
Other intangible fixed assets	48	66	(18)
Work in progress	6,526	2,682	3,844
Total intangible fixed assets	**17,395**	**12,996**	**4,399**

The increases in the item in question for the specific half year came to Euro 5,884 thousand, and mainly refer to: i) the purchase of new software, mainly referring to the R&D function for Euro 649 thousand ii) assets (software) deriving from the purchase of the business branches from Oro Networks LLC and Piri.ai Inc., carried out by the Group through SECO Mind USA LLC for Euro 1,304 thousand (for more details, refer to the note Goodwill), and iii) the recognition of costs for the development of projects under way for standard products (products in the catalogue) incurred in the first half of the year for Euro 3,844 thousand. The development costs of custom products (developed for a specific customer) are fully charged to the year of reference.

The changes during the period are shown below.

Category	Net value as at 31/12/2020	Increases	Decreases	Amortisation and depreciation	Net value as at 30/06/2021
Development costs	8,319	42	0	(1,046)	7,315
Software	1,929	1,953	0	(376)	3,506
Other intangible fixed assets	66	45	0	(63)	48
Work in progress	2,682	3,844	0	0	6,526
Total intangible fixed assets	**12,996**	**5,884**	**0**	**(1,485)**	**17,395**

(3) Rights of use

Category	30/06/2021	31/12/2020	Change
Land and buildings	164	233	(69)
Plant and machinery	2,038	1,650	388
Other tangible assets	11	29	(18)
Rights of use	**2,214**	**1,912**	**302**

Rights of use include lease contracts for land and buildings, car rental contracts and lease contracts for machinery.

The increase in the item in question, of Euro 301 thousand, is the net result of the gradual recording of the amortisation of contracts in force at the start of the year and the entering into of three new lease contracts in the first half of 2021 regarding new machinery for optical inspection used in the production processes and two 3D printers used for prototyping.

The changes in the rights of use during the first half of 2021 are shown below:

	Land and buildings	Plant and machinery	Other tangible assets	Total
Historic cost as at 31/12/2020	789	2,476	96	3,361
Increases	6	633	0	640
Decreases	(7)	(34)	(30)	(71)
Historic cost as at 30/06/2021	***789***	***3,075***	***66***	***3,930***
Accumulated amortisation as at 31/12/2020	(556)	(826)	(67)	(1,449)
Amortisation and depreciation	(68)	(245)	(16)	(329)
Decreases	0	33	29	62
Accumulated amortisation as at 30/06/2021	***(624)***	***(1,038)***	***(54)***	***(1,716)***
Net value as at 31/12/2020	233	1,650	29	1,912
Net value as at 30/06/2021	**165**	**2,038**	**11**	**2,214**

(4) Goodwill

In application of IFRS 3, Goodwill is initially recognised at cost, represented by the amount of the sum of the consideration paid and the amount recorded for minority interests which exceeds the net identifiable assets acquired and liabilities assumed by the Group. It represents an intangible asset with an indefinite life. For each business combination, the Group decides whether to measure the minority interest in the acquired company at fair value or in proportion to the share of minority interests in the net identifiable assets of the acquired company. The acquisition costs are charged during the year and classified under costs for services.

Goodwill is not amortised but, if specific events or changed circumstances indicate the existence of impairment, is subject, annually or more frequently, to impairment testing in accordance with IAS 36. Following initial recognition, goodwill is measured at cost, net of accumulated impairment. At the time of the disposal of a portion of or an entire company previously acquired, whose acquisition gave rise to goodwill, in determining the capital gain or loss on disposal, the corresponding residual value of goodwill is considered.

Category	30/06/2021	31/12/2020	Change
Goodwill	14,604	7,066	7,538
Total Goodwill	**14,604**	**7,066**	**7,538**

The balance as at June, 30 2021 increased on the end of the previous year by Euro 7,538 thousand. The increase during the half year is attributable to the purchase of the IoT and AI business branches by SECO Mind USA LLC from the US companies ORO Networks LLC and Piri.ai Inc.

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

Through this operation, SECO Mind USA acquired the *assets relating to the IoT and Artificial Intelligence businesses,* which are shown in the table below. That operation falls under the application of IFRS 3. The Group carried out provisional Purchase Price Allocation (PPA) and allocated the cost of the business combination, recognising, based on the information available at the date of preparing this document, the provisional fair value of the identifiable assets, liabilities and potential liabilities of the business branch. The details of these at the date of acquisition of control are shown below:

Category	23/06/2021
Intangible fixed 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**

The goodwill, whose provisional value came to USD 8,959, was recognised in relation to the synergies expected from the combination of the assets of the business branch and the Group regarding IoT and Artificial Intelligence solutions.

As stated in the section illustrating the accounting standards, goodwill is subject to impairment testing, according to that set out in IAS 36 Impairment, at annually, or more frequently if specific events or changed circumstances indicate the possibility of impairment.

The recoverability of the values recognised is verified by comparing the net book value of the cash generating unit with the recoverable value (value in use). That recoverable value is represented by the present value of future cash flows that are estimated to derive from the continuous use of the assets relating to the cash generating unit and the terminal value attributed to them. The recoverability of goodwill is tested at least once a year (as at 31 December) also where there are no indicators of impairment.

As at June, 30 2021 the Group compared the final data with the forecast budget data for the year 2021 supplemented with the forecast data for the period 2022-2023, approved by the Board of Directors. That analysis did not result in any indicators of the need to update the impairment tests conducted for the purposes of the financial statements as at December, 31 2020.

(5) Non-current financial assets

Category	30/06/2021	31/12/2020	Change
Non-current financial assets	123	236	(113)
Derivative assets	10	10	(0)
Total Non-current financial assets	**132**	**246**	**(114)**

Total Non-current financial assets decreased from Euro 246 thousand to Euro 132 thousand, mainly due to the refund of a security deposit.

(6) Deferred tax assets

Category	30/06/2021	31/12/2020	Change
Deferred tax assets	663	623	40
Total Deferred tax assets	**663**	**623**	**40**

Deferred tax assets, which are recognised only when their recoverability is reasonably certain, also corroborated by the results of the impairment test referred to in Note (4) Goodwill, are measured on the basis of the tax rates in force, equal to those that will apply in the period in which the differences will be reversed. Deferred tax assets relating to actuarial valuations of defined benefit plans and the effects of consolidation adjustments that directly transit through shareholders' equity recognised directly in equity.

(7) Other non-current assets

This item, equal to Euro 509 thousand as at June, 30 2021 (Euro 492 thousand as at December, 31 2020) mainly comprises the long-term portion of receivables due from tax authorities, accrued on obtaining the tax credit under Industry 4.0.

(8) Inventories

Inventories amounted to Euro 35,431 thousand as at June, 30 2021 and recorded an increase of Euro 4,014 thousand on the end of the previous year. The breakdown of the item is illustrated in the table below.

Category	30/06/2021	31/12/2020	Change
Raw materials	28,737	23,762	4,975
Semi-finished products	5,789	6,265	(476)
Finished products	1,985	2,300	(315)
Advances to suppliers	108	297	(189)
Provision for inventory obsolescence	(1,187)	(1,207)	20
Total Inventories	**35,431**	**31,417**	**4,014**

The increase recorded during the period is fully attributable to the category “Raw materials”, as, in order to handle the gradual extension of delivery times due to the continuing global economic situations arising from the ongoing pandemic, the Group decided to increase its level of safety stock to ensure the regular operation of internal production.

(9) Trade receivables

Category	30/06/2021	31/12/2020	Change
Trade receivables	20,063	15,421	4,642
Bad debt provision	(667)	(393)	(274)
Total Trade receivables	**19,395**	**15,028**	**4,367**

Trade receivables as at June, 30 2021 amounted to Euro 19,395 thousand, up by Euro 4,367 thousand on the end of the previous year. The increase recorded during the half year is mainly attributable to SECO SpA, SECO USA, PSM Tech and SECO Mind US.

The increase in trade receivables of SECO SpA and PSM Tech, equal to Euro 2,408 thousand, is due to both the increase in turnover with long-term customers of the Group and the acquisition of new customers during the half year. New customers contributed Euro 1,129 thousand to the net increase in trade receivables.

The increase in trade receivables of SECO USA, equal to Euro 1,476 thousand, related to the increase in turnover with long-term customers of the Group on the US market.

(10) Tax receivables

Category	30/06/2021	31/12/2020	Change
VAT	1,887	4,666	(2,779)
Income taxes	1,296	1,298	(2)
Other	1,457	3,116	(1,659)
Total Tax receivables	**4,640**	**9,080**	**(4,440)**

Tax receivables as at 30 June 2021 came to Euro 4,640 thousand, decreasing by Euro 4,440 thousand compared to the end of the previous year. That decrease is mainly attributable to the collection of the VAT credit generated in 2020 by SECO SpA and its use in offsetting.

(11) Other receivables

Category	30/06/2021	31/12/2020	Change
Advances	2,219	510	1,709
Other receivables	687	444	243
Prepayments and accrued income	958	1,602	(644)
Total Other receivables	**3,864**	**2,556**	**1,308**

Other receivables amounted to Euro 3,864 thousand as at June, 30 2021 and recorded an increase of Euro 1,308 thousand. That increase is mainly attributable to the increase in advances to suppliers.

(12) Cash and cash equivalents

The item comprises the liquid assets recognised in the financial statements of the companies included in the scope of consolidation.

Category	30/06/2021	31/12/2020	Change
Cash on hand	11	14	(3)
Cash and cash equivalents	110,389	23,664	86,725
Total Cash and cash equivalents	**110,400**	**23,678**	**86,722**

For the analysis of the changes in financial resources, see the Consolidated cash Flow Statement.

(13) Shareholders' Equity

The changes in and composition of shareholders' equity are shown in the Statement of changes in consolidated shareholders' equity, to which reference is made.

SHARE CAPITAL – As at June, 30 2021, the share capital resolved amounted to Euro 1,102,344, and is divided into 107,378,774 shares. The share capital paid in as at June, 30 2021 amounted to Euro 1,048,344.

LEGAL RESERVE – The legal reserve, equal to Euro 289 thousand as at June, 30 2021, was unchanged on December, 31 2020.

SHARE PREMIUM RESERVE – The share premium reserve, equal to Euro 108,472 thousand as at June, 30 2021, reported a net increase of Euro 93,691 thousand due to the successful completion of the process of listing on the stock exchange on May, 5 2021. Specifically, the increase resulting from the issue of new shares for the purpose of listing entailed an increase in the share premium reserve of Euro 99,628, eliminating the costs incurred that are directly attributable to the listing for Euro 5,937 thousand. Additional costs may be incurred in the future, correlated to the occurrence of specific conditions.

OTHER RESERVES – Other reserves, amounting to Euro 30,128 thousand as at June, 30 2021, refer to:

- Euro 27,697 thousand (Euro 23,547 thousand as at December, 31 2020) to retained earnings reserves;
- Euro 2,750 thousand (Euro 1,623 thousand as at December, 31 2020) to the recording of incentive plans. Note that following the listing, i) incentive plans were allocated to employees, for the assignment of 3,980,000 ordinary shares of the Company, requiring that employment continue to exist until the expiry of the vesting period; and ii) 196,974 ordinary shares of the Company were assigned to employees of the Group free of charge.
- negative Euro 320 thousand (reserve unchanged on December, 31 2020) to the recording of the call and put options relating to the minority share in Hopenly S.r.l.

TRANSLATION RESERVE – The translation reserve, a negative Euro 269 thousand as at June, 30 2021, comprises the exchange differences from the conversion of the financial statements of foreign subsidiaries.

FTA RESERVE – The First Time Adoption reserve relating to the adoption of the international accounting standards, a negative Euro 371 as at June, 30 2021, is unchanged on December, 31 2020.

RESERVE FOR LOSSES RECORDED IN OCI – This reserve, a negative Euro 105 thousand as at June, 30 2021, comprises the result from the discounting of employee benefits.

DIVIDENDS - During the first half of 2021, no dividends were distributed.

(14) Minority interests

Minority interests amounted to Euro 11,078 thousand as at June, 30 2021, and were composed of the minority interests of:

- Aidilab S.r.l., equal to 30% of third parties;
- SECO Asia Limited, equal to 49% of third parties;
- Fannal Electronics Co. Ltd, equal to 72% of third parties;
- Ispirata S.r.l., equal to 24.4% of third parties;
- Hopenly S.r.l., equal to 47% of third parties.
- Seco Mind US, equal to 30% of third parties.

(15) Employee benefits

Category	30/06/2021	31/12/2020	Change
Provisions for employee severance pay	(2,605)	(2,463)	(142)
Provisions for directors' severance pay	(277)	(510)	233
Total Employee benefits	**(2,882)**	**(2,973)**	**91**

The item includes the payable for directors' severance pay and the payable for employees severance pay of the Group accrued for the Italian companies as at June, 30 2021. The foreign companies do not grant employee benefits or other components attributable to long-term benefits.

(16) Provisions for risks

Category	30/06/2021	31/12/2020	Change
Agents' severance indemnity	(37)	(37)	0
Other	(52)	(52)	0
Total Provisions for risks	**(89)**	**(89)**	**0**

This item is comprised of agents' severance indemnity for Euro 37 thousand and provisions for probable liabilities for Euro 52 thousand. Neither of these items changed on December, 31 2020, as the Group deems that, as things stand, there are no situations which would require an increase in provisions for risks.

(17) Deferred tax liabilities

As at June, 30 2021, deferred tax liabilities totalled Euro 43 thousand, unchanged on the end of the previous year.

(18) Non-current financial payables

Category	30/06/2021	31/12/2020	Change
Non-current portion of financial indebtedness	(22,991)	(26,087)	3,096
Total Non-current financial payables	**(22,991)**	**(26,087)**	**3,096**

This item refers to the medium/long-term portion of outstanding loans. The Group did not subscribe loans in addition to those outstanding as at December, 31 2020.

(19) Non-current financial liabilities deriving from leases

Category	30/06/2021	31/12/2020	Change
Non-current financial liabilities deriving from leases	(1,389)	(1,194)	(195)
Total Non-current financial liabilities deriving from leases	**(1,389)**	**(1. 194)**	**(195)**

This item refers to the present value of the medium/long-term portions of financial liabilities taken on by the Group due to the recording of lease contracts in accordance with IFRS 16.

The net increase in the item in question was due to the entering into of three new lease contracts in the first half of 2021 regarding new machinery for optical inspection used in the production processes and two 3D printers used for prototyping.

(20) Other non-current payables

Category	30/06/2021	31/12/2020	Change
Other non-current payables	(649)	(608)	(41)
Total Other non-current payables	**(649)**	**(608)**	**(41)**

Other non-current payables as at June, 30 2021 mainly included the deferred consideration for the acquisition of Ispirata for Euro 600 thousand.

(21) Current financial liabilities

Category	30/06/2021	31/12/2020	Change
Current financial liabilities	(8,538)	(8,540)	2
Total Current financial liabilities	**(8,538)**	**(8,540)**	**2**

The item includes payables to banks relating to existing bank credit lines, current account overdrafts, payables for credit cards, payables for advances on invoices and short-term loans due within the next year for operational purposes outstanding as at June, 30 2021.

(22) Current portion of non-current financial payables

Category	30/06/2021	31/12/2020	Change
Current portion of non-current financial payables	(5,881)	(5,163)	(718)
Total Current portion of non-current financial payables	**(5,881)**	**(5,163)**	**(718)**

(23) This item refers to the short-term portion of outstanding loans. Current financial liabilities deriving from leases

Category	30/06/2021	31/12/2020	Change
Non-current financial liabilities deriving from leases	(546)	(537)	(9)
Total Non-current financial liabilities deriving from leases	**(546)**	**(537)**	**(9)**

The item includes the present value of rentals falling due within the next 12 months related to lease contracts recorded in accordance with IFRS 16.

(24) Trade payables

Category	30/06/2021	31/12/2020	Change
Trade payables	(18,258)	(15,289)	(2,969)
Total Trade payables	**(18,258)**	**(15,289)**	**(2,969)**

The item comprises the amounts due for procurement for production, capital expenditures and services received as at June, 30 2021. As previously stated in Note (8) on inventories, the increase in trade payables is due to the Group's decision to increase safety stock to handle the continuous extensions of delivery times by suppliers of silicon and components.

(25) Other current payables

Category	30/06/2021	31/12/2020	Change
Accrued expenses	(853)	(623)	(230)
Payables to social security institutions and to personnel	(4,242)	(3,687)	(555)
Other payables	(370)	(506)	136
Advances – contract liabilities	(724)	(577)	(147)
Total other current payables	**(6,189)**	**(5,393)**	**(796)**

(26) Tax payables

Category	30/06/2021	31/12/2020	Change
Income taxes payable	(1,266)	(379)	(887)
Payables to the tax authorities	(303)	(1,108)	805
Total Tax payables	**(1,570)**	**(1,487)**	**(83)**

The item Income taxes payable includes the tax payables recorded in the financial statements of the individual consolidated companies, allocated in relation to the tax charges relating to the individual companies on the basis of the applicable national legislation. Payables to the tax authorities refer mainly to withholding taxes on employees' income, severance pay and self-employment income.

Notes to income statement items

(27) Sales revenues

Geographic area	30/06/2021	30/06/2020	Change	% Change
EMEA	29,054	25,995	3,059	*11.77%*
- Italy	*23,301*	*19,833*	*3,468*	*17.48%*
USA	9,712	9,703	9	*0.09%*
APAC	3,002	1,482	1,520	*102.56%*
Rest of World (RoW)	26	1,003	(977)	*-97.41%*
Revenues by geographic area	**41,794**	**38,182**	**3,612**	**9.46%**

Sales revenues rose from Euro 38,182 thousand in the first half of 2020 to Euro 41,794 thousand in the first half 2021, increasing by 9.46% on the same half of the previous year. Those changes are the result of the growth in revenues, mainly in the EMEA and APAC areas.

Specifically, the breakdown of revenues was as follows:

- in Italy, an increase of Euro 3,468 thousand (+17.48%), as a result of continuation of the positive trend recorded in the last half of 2020;
- in the US, revenues remained substantially steady compared to the first half of 2020;
- in the APAC area, an increase of Euro 1,520 thousand (102.56%) due to the increase in sales volumes compared to the first half of the previous year;
- in the Rest of the World, revenues decreased by Euro 977 thousand (-97.41%) compared to the first half 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 2020.

(28) Other revenues and income

Other revenues and income amounted to Euro 1,436 thousand as at June, 30 2021, compared to Euro 54 thousand recorded in the same period of 2020.

Category	30/06/2021	30/06/2020	Change
R&D tax credit operating grant	613	0	613
Industry 4.0 tax credit asset grant	229	23	206
Other operating grants	478	9	469
Other revenues and income	115	23	93
Total Other revenues and income	**1,436**	**54**	**1,382**

Other revenues and income came to Euro 1,436 thousand in the first half of 2021, up by Euro 1,382 thousand compared to the same period of the previous year.

The item mainly refers to the recording, in accordance with IAS 20, i) of the tax credit operating grant for Research and Development of Euro 610 thousand; ii) of the tax credit asset grant refers to the purchase by SECO S.p.A of capital goods under the Industry 4.0 regime, of Euro 229 thousand; and iii) of the pro-rata contribution relating to the Group's participation in the SEIS Tender, of Euro 171 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.

(29) Costs for raw materials, ancillary materials, consumables and goods

The costs for raw materials, ancillary materials, consumables and goods came to Euro 25,797 thousand for the first half of 2021, and Euro 25,692 thousand for the first half of 2020. The item is substantially in line with the previous year.

(30) Costs for services

Category	30/06/2021	30/06/2020	Change
Transport costs	813	494	319
Costs for commissions	423	522	(99)
Rental and operating lease costs	349	171	178
Maintenance costs	151	129	22
Consulting costs	721	228	494
Bank fees	30	88	(58)
Administrative costs and utilities costs	493	397	96
Other taxes and duties	76	51	25
Outsourcing costs	112	346	(234)
Marketing costs	240	482	(243)
Insurance costs	175	44	132
Total Costs for services	**3,583**	**2,952**	**631**

The increase in transport costs is due not only to the increase in volumes purchased as a result of the growth in turnover, but also to the contingency that occurred in the first half of 2021, due to the exponential increase in delivery times by many manufacturers of silicon and components, which led the Group to obtain supplies from alternative procurement sources that offered quicker delivery times but higher transport costs.

The increases in rental and operating lease costs, equal to Euro 178 thousand, is mainly due to the increase in short-term or low value rental costs of automobiles and the fees for software licences used in the area of R&D.

The increase in insurance costs of Euro 132 thousand is due to the subscription of new insurance contracts considering the increased complexity of the Group structures, which entailed an update to existing coverage.

The decrease in marketing costs of Euro 243 thousand compared to the first half of the previous year is the result of the savings obtained during the half year.

The decrease in outsourcing costs of Euro 234 thousand derives mainly from the insourcing by SECO Spa of certain processing previously outsourced to third party suppliers.

Consulting costs increased by a total of Euro 494 thousand on the same period of the previous year. That increase mainly derives from Seco SpA, due to the increase in custom R&D projects for Euro 305 thousand, fully charged in the reference period, the increase in certification costs directly connected to the increase in custom projects for Euro 65 thousand and the increase in costs for accounting consulting, for Euro 36 thousand. The increase in the item was also impacted by the increase in costs of the Chinese subsidiary Fannal, for Euro 67 thousand compared to the previous year.

(31) Personnel costs

Category	30/06/2021	30/06/2020	Change
Wages and salaries	6,603	5,342	1,261
Social security costs	1,684	1,330	354
Provisions for employee severance pay and directors' severance pay	350	274	76
Other personnel costs	569	690	(121)
Total personnel costs	**9,205**	**7,636**	**1,569**

Personnel costs as at June, 30 2021 amounted to Euro 9,205 thousand, up by Euro 1,569 thousand compared to the first half of the previous year. The main component of the increase on the previous half year regards the recognition of the costs of the stock option plans assigned to the management team and employees following the successful listing on the stock exchange during the current half year, in addition to the increase in the workforce at Group level, necessary to support the development plans for R&D, production and sales.

(32) Amortisation and depreciation

Amortisation and depreciation rose from Euro 2,063 thousand in the first half of 2020 to Euro 2,997 thousand in the first half of 2021, an increase of Euro 934 thousand.

(33) Write-downs of loans and provisions for risks

The item includes the allocations for the period to directors' severance pay, for Euro 30 thousand. The decrease on the same period of the previous year, equal to Euro 10 thousand, is due to the changeover of director positions following the listing on the stock exchange.

(34) Other operating costs

Category	30/06/2021	30/06/2020	Change
Compensation of directors and related charges	486	365	120
Compensation of Board of Statutory Auditors	42	29	13
Travel costs	52	54	(2)
Losses on receivables	8	0	8
Other operating costs	210	65	145
Total Other operating costs	**797**	**513**	**285**

The items “Compensation of directors and related charges” and “Compensation of the Board of Statutory auditors” increased in the first half of 2021 on the same period of the previous year, by a total of Euro 133 thousand. That increase is due to the appointment of new persons to corporate offices and their compensation, following the listing on the stock exchange in May of the current year.

“Other operating costs” increased by Euro 145 thousand, mainly due to the effect of the increase in purchases of sundry materials and consumables, along with the increase in research and development activities and the increase in costs relating to research projects and studies and membership fees incurred during the reference period.

(35) Financial charges

Category	30/06/2021	30/06/2020	Change
Interest expense on loans	128	63	65
IFRS 16 interest expense	13	6	7
Other financial charges	118	41	77
Total Financial charges	**258**	**110**	**149**

Total financial charges increased from Euro 110 thousand as at June, 30 2020 to Euro 258 thousand as at June, 30 2021. The increase is mainly due to the increase in interest expenses on the contracting of new loans after June, 30 2020 and other financial charges, which increased by Euro 77 thousand, due to higher bank fees and commissions.

(36) Income taxes

Category	30/06/2021	30/06/2020	Change
Current taxes	1,435	1,490	(55)
Deferred taxes	(40)	(89)	49
Total income taxes	**1,395**	**1,402**	**(7)**

Deferred tax liabilities are not recognised if it can be demonstrated that their payment is unlikely or not due. Deferred tax assets are recognised if their recovery is reasonably certain. All the valuations referred to above were conducted on a going concern basis

Transactions with Related Parties

In accordance with IAS 24, Related Parties are: a) entities that directly, or indirectly through one or more intermediaries, control, are controlled by, or are under common control with the reporting entity; b) associated companies; c) individuals who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the entity, and their close family members; d) members of the key management personnel, i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity, including the entity's directors or managers and the close family members of such persons; and e) entities in which significant voting power is held directly or indirectly by any individual described in c) or d) above or over which that individual is able to exercise significant influence. Case e) above includes entities owned by directors or controlling shareholders of the reporting entity and entities that have key management personnel in common with the reporting entity.

The list of related parties is shown below, indicating the type of relation:

Type	List of Related Parties	Type and main relationship
Legal person	Consortium Ubiquitous Technologies S.c.a.r.l (CUBIT)	Company 22.5%-owned by the Parent Company
Legal person	SECO Holding, Inc.	Company 100%-owned by the Parent Company
Legal person	SECO Embedded India Private LTD	Company 100%-owned by the Parent Company
Legal person	SECO Deutschland GmbH	Company 100%-owned by the Parent Company
Legal person	Ispirata S.r.l.	Company 75,6%-owned by the Parent Company

Type	List of Related Parties	Type and main relationship
Legal person	SECO Microelectronics Co., Ltd	Company controlled by the Parent Company through an indirect shareholding of 100%, through the subsidiary SECO ASIA Limited
Legal person	AIDILAB S.r.l.	Company 70.20%-owned by the Parent Company
Legal person	AIDILAB Inc.	Company 70%-owned by the Parent Company
Legal person	SECO Asia Limited	Company 51%-owned by the Parent Company
Legal person	PSM Tech S.r.l.	Company 100%-owned by the Parent Company
Legal person	Fannal Electronics Co., Ltd	Company controlled by the Parent Company through an indirect shareholding of 55%, through the subsidiary SECO ASIA Limited
Legal person	SECO USA, Inc.	Company 100% indirectly controlled by the Parent Company, through the subsidiary SECO Holding, Inc.
Legal person	SECO MIND USA, LLC	Company 70% indirectly controlled by the Parent Company, through the subsidiary SECO USA, Inc.
Legal person	Hopenly S.r.l.	Company controlled by the Parent Company through an indirect shareholding of 70%, through the subsidiary Ispirata S.r.l.
Legal person	Fondo Italiano d'Investimento SGR S.p.A.	Company holding 20.12% of the Parent Company
Legal person	DSA S.r.l.	Company holding 30.37% of the Parent Company, 100%-owned by Daniele Conti
Legal person	HSE S.r.l.	Company holding 30.37% of the Parent Company, 100%-owned by Luciano Secciani
Legal person	HCS S.r.l.	Company holding 13.61% of the Parent Company, 50%-owned by Luciano Secciani and 50%-owned by Daniele Conti
Legal person	Simest S.p.A.	Company holding 49% of Seco Asia Limited
Natural person	Daniele Conti	Chairman of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Massimo Mauri	Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Claudio Catania	Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Emanuela Sala	Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Luca Tufarelli	Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Luciano Lomarini	Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Michele Secciani	Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Elena Crotti	Independent Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Giovanna Mariani	Independent Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Diva Tommei	Independent Member of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Pierpaolo Guzzo	Chairman of the Board of Statutory Auditors of the Parent Company, appointed on 01/03/2021
Natural person	Gino Faralli	Standing Auditor of the Parent Company, appointed on 01/03/2021
Natural person	Fabio Rossi	Standing 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 with related parties are part of the ordinary course of business of the companies, and were settled at market conditions. No atypical or unusual transactions were recorded.

The related effects on the income statement and statement of financial position were netted during the consolidating process.

The details of existing transactions with related parties are shown below:

Statement of financial position amounts	CUBIT S.c.a.r.l	BoD (*)	BSA (**)	Total	Total financial statement items	Percentage
Non-current financial assets	65	0	0	**65**	132	49.2%
Trade receivables	88	0	0	**88**	19,395	0.45%
Employee benefits	0	277	0	**277**	2,882	9.61%
Trade payables	30	0	0	**30**	18,258	0.16%
Other current payables	0	19	6	**26**	6,189	0.42%

Income statement amounts	CUBIT S.c.a.r.l	BoD (*)	BSA (**)	Total	Total financial statement items	Percentage
Costs for services	56	0	0	**56**	3,583	1.56%
Other operating costs	0	352	42	**394**	797	49.43%

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

Compensation of directors, statutory auditors and external auditors

The compensation paid as at June, 30 2021 to the Board of Directors of the Parent Company totalled Euro 352 thousand (Euro 298 thousand in the first half of 2020), while that due to the Board of Statutory Auditors amounted to Euro 42 thousand (Euro 18 thousand in the first half of 2020).

Compensation to external auditors totalled Euro 36 thousand for the first half of 2021 (Euro 20 thousand in the same period of 2020).

Subsequent events

In July 2021 the Group concluded the merger of the IoT branch, integrating into the single company name SECO Mind Srl (new company name of the former Ispirata Srl) the companies Hopenly Srl and Aidilab Srl.

On August, 3 2021, SECO signed a long-term partnership agreement with Olivetti SpA to jointly work on the development, marketing and sale of smart hardware and software solutions, to support the acceleration the process of digitalisation of companies.

In light of the agreement, SECO and Olivetti significantly strengthen their industrial partnership for the supply of hardware devices currently included in SECO's product catalogue, as well as for the co-development of hardware and software solutions dedicated specifically to Olivetti and to be distributed with the brand "Olivetti powered by SECO". Such solutions will find application both in sectors in which Olivetti has launched a dedicated proposition (smart cities, urban services, industrial automation, smart agriculture, etc.) and in the digital payment systems sector, as well as in the world of connected devices.

This partnership was conceived to accelerate the digital transformation process of the TIM Group's business clients, both in the Large and Small-Medium Enterprises segments, as well as the Public Administration sector. Products released by Olivetti thanks to the industrial partnership with SECO will be sold in exclusivity by the TIM Group's sales force.

Based on this agreement, Olivetti will significantly rationalise its supply chain and accelerate the time-to-market of its products, being able to count on the R&D expertise of SECO as Olivetti's technology partner and preferred supplier for the world of IoT solutions: SECO will ensure the qualitative standards and the efficiency of the product manufacturing processes, as well as the efficient management of the supply chain and the optimisation of the activities related to the production phase. In addition, SECO will make its System Integration, Hardware Development, Software Development, Validation & Verification teams available, together with its simulation and testing labs so as to minimize the certification and launch of the new products developed within the context of the partnership.

Moreover, on August, 3 2021 Olivetti increased its shareholding in SECO from 7% to 9.6% of the capital. That operation was carried out through the purchase of 2,773,943 shares previously held by Fondo Italiano di Investimento SGR S.p.A., whose shareholding in SECO thus decreased from 8.1% to 5.5% of the capital.

CERTIFICATION OF THE CONDENSED CONSOLIDATED INTERIM REPORT PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY, 14 1999, AS AMENDED

1. The undersigned, Massimo Mauri, Managing Director, and Lorenzo Mazzini, Financial Reporting Officer of SECO S.p.A. certify, also considering that set out in art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of February, 24 1998:
   - the adequacy in relation to the characteristics of the company, and
   - the actual application

of the administrative and accounting procedures for the formation of the condensed consolidated interim report during the first half of 2021.

2. We also certify that the condensed consolidated interim report:
   - matches the results of the accounting ledgers and entries;
   - has been drawn up in compliance with the international accounting standards recognised by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council of July, 19 2002;
   - provide a true and fair view of the statement of financial position, income statement and cash flow of the issuer and the set of consolidated companies.
3. We also certify that the interim report on operations includes a reliable analysis of the performance and results of operations, as well as situation of the Company and the set of consolidated companies, along with a description of the main risks and uncertainties to which they are exposed. The interim report on operations also contains a reliable analysis of the information on significant transactions with related parties.

Arezzo, September, 10 2021

Managing Director	Financial Reporting Officer
Massimo Mauri	Lorenzo Mazzini