



SECO S.p.A.

**QUARTERLY REPORT
AS AT MARCH 31, 2022**

SECO S.p.A.
Registered office in Arezzo, Via A. Grandi 20, Italy
Share capital euro 1.073.934,74
VAT number 00325250512
Companies Registry Arezzo n. 4196



CONTENTS

CORPORATE BODIES.....	3
THE GROUP AND ITS BUSINESS.....	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AS AT MARCH 31, 2022	8
Consolidated Statement of Financial Position	8
Consolidated Income Statement.....	9
Consolidated Statement of Comprehensive Income.....	10
Consolidated Cash Flow Statement	11
Statement of Changes in Consolidated Shareholders' Equity	12
COMMENTS ON THE CONSOLIDATED ACCOUNTING STATEMENTS	13
PERFORMANCE AS AT MARCH 31, 2022.....	15
Sales revenues by geographic area	15
Economic alternative performance indicators.....	16
Balance sheet alternative performance indicators	17
SIGNIFICANT SUBSEQUENT EVENTS	18
BUSINESS OUTLOOK.....	19



CORPORATE BODIES

Board of Directors

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

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

Board of Statutory Auditors

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

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

Financial Reporting Officer Lorenzo Mazzini

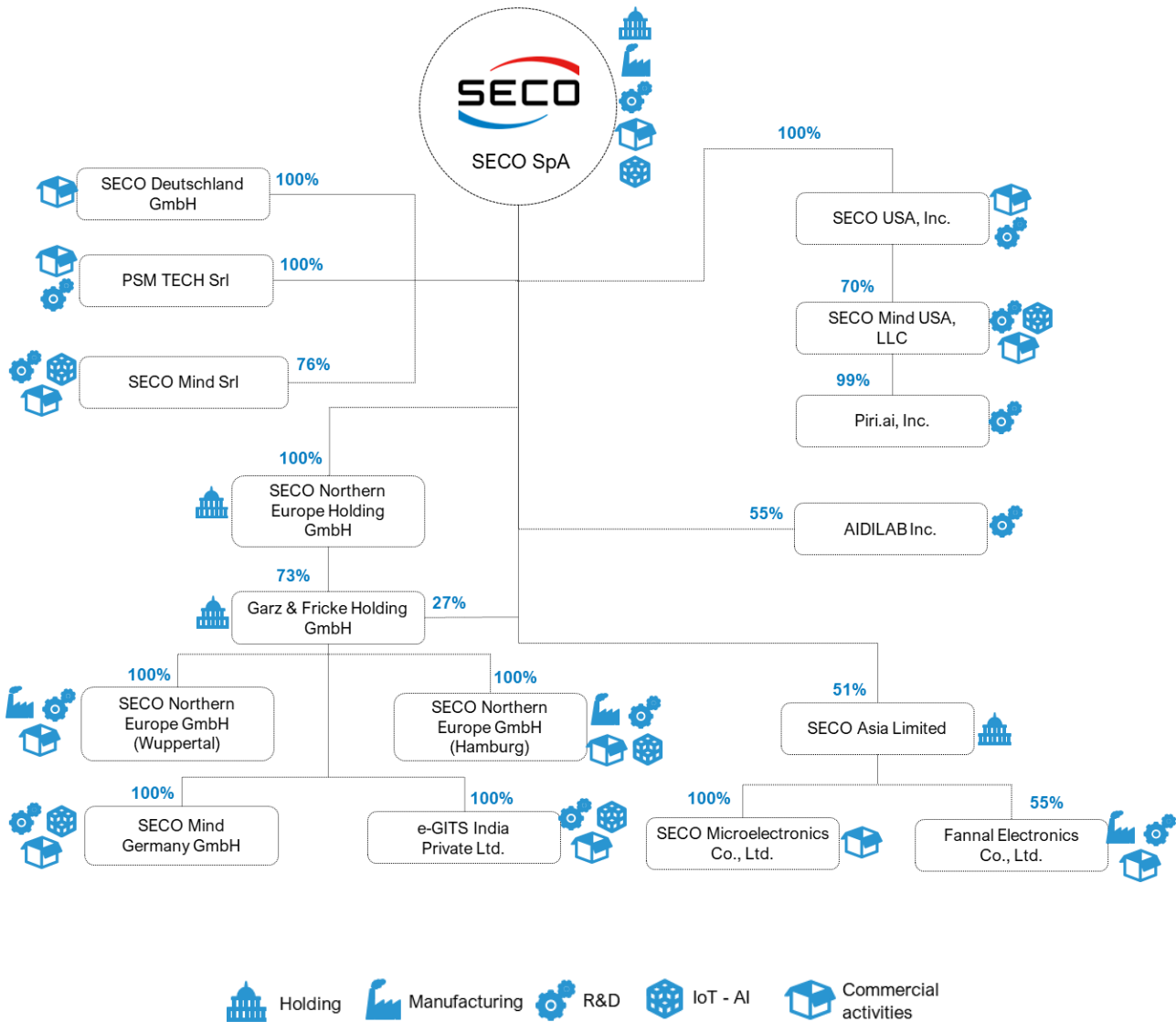
External Auditors Deloitte & Touche S.p.A,

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



THE GROUP AND ITS BUSINESS

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



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

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



REFERENCE ECONOMIC SCENARIO AND SECTOR PERFORMANCE

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

The evolution of technologies such as Cloud Computing, Big Data and Analytics, Artificial Intelligence and the Internet of Things has accelerated the digital transformation of company processes and the way that companies approach the creation, access, 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 for companies to be competitive but also to survive, we are seeing a drive towards digitalisation throughout the world.

The Covid-19 pandemic undoubtedly contributed to accelerating this trend, bringing digitalisation to numerous sectors and areas of daily life which had always been far from this world. This trend also expanded in the industrial sector, where companies in all the primary sectors are demanding ever increasing digitalisation and interconnection of their products.

The significant recovery programs to relaunch and incentivise investments that are being implemented by numerous countries in the world will contribute to further accelerating these trends, resulting in the growth of the number of connected devices and IoT at rates much higher than the double digit, as recognised by all the leading authoritative sector analysts.

PERFORMANCE OF OPERATIONS

The first quarter of 2022 confirmed the positive performance already recorded by the Group during the last quarter of the previous fiscal year. In the first three months of 2022, the development of new products for Edge Computing and new functionalities of the CLEA software platform continued. SECO further strengthened its presence and positioning in the IoT and AI market thanks to two important agreements to enhance its commercial offering.

Impresa Pizzarotti & C. S.p.A., a leading company in the design and construction of road, railway, airport infrastructures and healthcare and residential buildings, has chosen CLEA, the IoT-AI software platform developed by SECO, to enable the "smart" management of road and hospital infrastructures through several high-added-value applications and functionalities.

The two companies will work at the development of a hardware and software solution to monitor the operational status and the energy consumption of these infrastructures, to allow users to identify the most appropriate



actions for the improvement and reduction of the environmental impact, accelerating a transition path towards a safe and sustainable model of smart cities.

In March, SECO and Exein SpA announce the start of an industrial partnership to introduce, into SECO devices, a software solution specifically dedicated to the cybersecurity and the strengthening of the protection and security levels of SECO's edge-to-AI offering.

Exein, a leading company in the embedded security based in Rome and San Francisco, has developed the first security ecosystem for the IoT devices development and management cycle: an innovative, open-source solution that, thanks to proprietary and on-edge Artificial Intelligence algorithms, allows to detect and neutralize cyber threats, timely defining corrective actions to be undertaken without compromising the operation of the on-field devices.

Exein's solutions will be made available to SECO clients as an additional service to the edge computing and AI functionalities offered by CLEA, based on a modular Software-as-a-Service (SaaS) model to allow the customers to design personalized and high value-added offers to their own final users. In particular, the Pulsar and Cosmo solutions by Exein will be available by-design on all the SECO hardware and software products starting from September 2022, with the possibility to extend the installation of the cybersecurity package to the devices already installed on the field.

Research and Development and technological innovation

During the first quarter of 2022, SECO is strongly committed to guaranteeing a high level of innovation, integration and added value in the solutions it creates for its customers operating in sectors such as Biomedical, Digital Signage, Fitness, Industrial, Smart Cities, Transportation, Vending.

SECO's primary objective is in fact to anticipate its customers' needs by using frontier technologies, supporting them towards the digital transition of their business and adding value to the solutions they implement.

The constant striving for innovation by all players in the industry is an element that can quickly render a competitive advantage obsolete. For this reason, every year SECO dedicates significant resources to Research & Development: about one third of SECO's employees are employed, in 9 countries around the world, in the design of new products and off-the-shelf solutions to be marketed, as well as in the process of co-development and co-engineering of customised products and solutions working closely with the customer. About 140 people at SECO are specifically dedicated to the development of software solutions based on artificial intelligence.

All SECO Group's R&D departments are in charge of developing and designing technological solutions based on integrated systems, standard and custom modules, IoT and AI software solutions for SECO's customers and target markets. Research and development is central to SECO's business model and is developed both internally and through partnerships with international technology companies, research institutes and universities.



SECO on the Stock Exchange

The SECO S.p.A. stock is listed on the Euronext Star Milan market organized and managed by Borsa Italiana S.p.A.

As at March 31st 2022, the reference price of SECO S.p.A. (IOT:MI) share was equal to EUR 5.78, and consequently the capitalisation was equal to approximately EUR 638.4 million.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AS AT MARCH 31, 2022

Consolidated Statement of Financial Position

	Notes	31/03/2022	31/12/2021
Property, Plants and Equipments		16,375	16,797
Intangible assets		58,750	56,367
Rights of use		8,390	9,895
Goodwill		148,644	148,484
Non-current financial assets		1,827	1,801
Deferred tax assets		2,234	2,252
Other non-current assets		983	834
Total non-current assets	(1)	237,203	236,430
Inventories		73,650	61,685
Trade receivables		41,094	36,696
Tax receivables		8,471	6,373
Other receivables		3,343	3,491
Cash and cash equivalents		36,755	58,825
Total current assets	(2)	163,313	167,070
TOTAL ASSETS		400,516	403,500
Share Capital		1,074	1,074
Share premium reserve		118,787	118,981
Reserves		21,187	21,192
Group profit (loss)		1,494	4,149
Total Group Shareholders' Equity	(3)	142,542	145,396
Equity of Non-controlling interests		17,661	15,256
Net profit / (loss) of the year of Non-controlling interest		733	2,351
Minority interests		18,394	17,607
Total Shareholders' Equity		160,936	163,003
Employee benefits		3,188	3,065
Provisions		729	729
Deferred tax liabilities		11,884	12,029
Non-current financial liabilities		136,445	138,083
Non-current lease liabilities		6,608	6,964
Other Non-Current Liabilities		635	612
Total non-current liabilities	(4)	159,489	161,482
Current financial liabilities		20,960	11,501
Current part of N-C Financial Liabilities		10,195	10,197
Current lease liabilities		1,556	1,552
Trade payables		36,855	39,949
Other payables		8,705	12,294
Current tax liabilities		1,820	3,522
Total current liabilities	(5)	80,091	79,015
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		400,516	403,500



Consolidated Income Statement

	Notes	31/03/2022	31/03/2021
Net sales		42,758	19,446
Other revenues and income		972	782
Total revenues and operating income	(6)	43,730	20,228
Costs for services, goods and other operating costs		(28,290)	(11,573)
Personnel costs		(8,167)	(4,362)
Total costs and other operating charges	(7)	(36,456)	(15,935)
Amortisation and depreciation	(8)	(3,183)	(1,439)
Provisions and write-downs		0	0
Operating profit/(loss)		4,091	2,854
Financial income and charges		(845)	(97)
Exchange gains/(losses)		(54)	237
Profit/(loss) before tax		3,192	2,994
Income taxes		(965)	(777)
Profit/(loss) for the year		2,227	2,217
Non-controlling interests profit		733	224
Group profit/(loss)		1,494	1,993
Basic earnings per share		0,014	n/a
Diluted earnings per share		0,013	n/a



Consolidated Statement of Comprehensive Income

	31/03/2022	31/03/2021
Net profit for the year	2,227	2,217
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:	498	332
Translation differences	498	332
Net gain/(loss) on Cash Flow Hedge	0	0
Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:	0	0
Discounting employee benefits	0	0
Tax effect discounting employee benefits	0	0
Total comprehensive income	498	332
Non-controlling interests	1,027	353
Parent company shareholders	1,698	2,197
Total comprehensive income	2,725	2,549



Consolidated Cash Flow Statement

	31/03/2022	31/03/2021
Net profit for the year	2,227	2,217
Income taxes	965	777
Amortization and depreciation	3,183	1,439
Provisions for risks, receivables and inventories	0	0
Change in employee benefits	123	70
Financial income/(charges)	845	97
Exchange gains/(losses)	54	(237)
Costs for share-based payments	945	215
Cash flow before working capital changes	8,342	4,578
Change in trade receivables	(4,365)	(3,206)
Change in inventories	(11,965)	(3,137)
Change in trade payables	(3,029)	(152)
Other changes in tax receivables and payables	(4,767)	4,069
Other changes in current receivables and payables	(3,433)	(1,392)
Other changes in non-current receivables and payables	(253)	(285)
Use of provisions for risks, receivables and inventories	0	0
Interest received	8	2
Interest paid	(170)	(99)
Exchange gains/(losses) realized	(157)	336
Income taxes paid	0	0
Cash flow from operating activities (A)	(19,789)	713
(Investments) /Disposals of property, plant and equipment	335	(200)
(Investments) /Disposals of intangible assets	(4,134)	(1,996)
(Investments) /Disposals of financial assets	(25)	110
Acquisition of business units net of cash and cash equivalents	0	0
Acquisition of subsidiaries net of cash and cash equivalents	0	0
Cash flow from investing activities (B)	(3,824)	(2,086)
New loan drawdowns	0	0
(Repayment) of bank loans	(1,640)	(679)
Change in current financial liabilities	8,776	(1,337)
Repayment lease financial liabilities	(352)	(161)
Dividends paid	0	0
Paid-in capital increase	(203)	0
Acquisition of treasury shares	(5,311)	0
Acquisition of shares from minorities	(230)	0
Cash flows from financing activities (C)	1,040	(2,177)
Increase (decrease) in cash and cash equivalents (A+B+C)	(22,573)	(3,550)
Cash & cash equivalents at beginning of the year	58,825	23,678
Translation differences	503	332
Cash & cash equivalents at end of the year	36,755	20,460



Statement of Changes in Consolidated Shareholders' Equity

	01/01/2022	Share Capital increase	Allocation of profit	Dividends distributed	Other changes	Comprehensive income/(loss)	31/03/2022
Share Capital	1,074	0	0	0	0	0	1,074
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	118,981	0	0	0	(194)	0	118,787
Other reserves	20,962	0	4,149	0	(4,357)	0	20,754
Translation reserve	457	0	0	0	0	204	661
FTA reserve	(371)	0	0	0	0	0	(371)
Discounting of employee benefits	(146)	0	0	0	0	0	(146)
Group profit (loss)	4,149	0	(4,149)	0	0	1,494	1,494
Group Shareholders' Equity	145,395	0	0	0	(4,551)	1,698	142,542
Minority interests in shareholders funds	15,277	0	2,351	0	(240)	294	17,682
Discounting of employee benefits	(21)	0	0	0	0	0	(21)
Minority interests in profit (loss)	2,351	0	(2,351)	0	0	733	733
Minority interests	17,607	0	0	0	(240)	1,027	18,394
Total Shareholders' Equity	163,002	0	0	0	(4,791)	2,725	160,936



COMMENTS ON THE CONSOLIDATED ACCOUNTING STATEMENTS

(1) Total Non-Current Assets

Total non-current assets rose from Euro 236,430 thousand to Euro 237,203 thousand, recording an increase of Euro 773 thousand. The change mainly derives from:

- an increase in Intangible assets of Euro 2,383 thousand, following the capitalisation of costs for Research and Development projects incurred during the reported period;
- a decrease in Right of Use assets of Euro 1,505 thousand, due to the depreciation effect during the first quarter of 2022.

(2) Total Current Assets

Total current assets rose from Euro 167,070 thousand to Euro 163,313 thousand, recording a decrease of Euro 3,757 thousand. The change is mainly due to:

- An increase in Inventories of Euro 11,965 thousand, deriving from the Group's need to ensure all the necessary raw materials stock level to carry out the production cycle. In an historical moment of extreme uncertainty on the raw materials procurement market and as a consequence of the lengthening of the lead times in the supply chain (in some cases lead times switched to three months to twelve months), the Group had the need to increase its stock to be able to respect delivery deadlines with its customers;
- An increase in Trade receivables of Euro 4,398 thousand, due to the joint effect of the increase in turnover with existing as well as new customers;
- An increase in Current tax assets of Euro 2,098 thousand, due to the growth of the VAT credit, for which the parent company SECO S.p.A. has requested a refund of Euro 1,300 thousand;
- A decrease in Cash and cash equivalents of Euro 22,070 thousand, mainly due to the financial disbursement for inventory purchases, to ensure the normal course of the Group's production activities. Please refer to the Cash Flow Statements for and in-depth analysis of the cash generation and consumption during the reporting period.

(3) Equity Attributable to the Owners of the Company

As of March 31, 2022 Total Equity of Euro 160,936 thousand reported a decrease of Euro 2,067 thousand, mainly due to the decrease in the Share premium reserve (Euro 194 thousand) and in Other reserves (Euro 4,357 thousand) combined with the Group profit of the period (Euro 2,725 thousand).

(4) Total Non-Current Liabilities

Total non-current liabilities drop from Euro 161,482 thousand to Euro 159,489 thousand, recording a decrease of Euro 1,993 thousand. That change mainly derives from a decrease in non-current financial liabilities of Euro



1,638 thousand due to the repayment of loan instalments in the reporting period and a decrease in non-current lease liabilities of Euro 356 thousand for the repayment of lease instalments in the reporting period.

(5) Total Current Liabilities

Total current liabilities increased from Euro 79,015 thousand to Euro 80,091 thousand, mainly due to

- the increase in current financial liabilities of Euro 9,459 thousand. This item includes bank debts for credit lines, overdrafts and credit cards, in addition to advances against invoices and short-term financing aimed at sustaining the increase in Inventory due to the current market situation of shortage of raw materials and electronic components
- the decrease in trade payables, other payables and current tax liabilities of Euro 8,385 thousand.

(6) Total Revenues and Operating Income

Net sales rose from Euro 19,446 thousand as of March 31, 2021 to Euro 42,758 thousand as of March 31, 2022, increasing by 119,87% compared to the same period of the previous year. Please refer to the paragraph "Sales revenues by geographic area" below for more details.

Other revenues and income of Euro 972 thousand in the first quarter of 2022 are mainly attributable to the Group's Italian companies and to Seco Northern Europe:

- Tax credit referring to the purchase by Seco S.p.A. of equipment and software under the Industry 4.0 tax regime, for Euro 264 thousand;
- Tax credit for Research and Development activities for Euro 286 thousand;
- Government grants from local and central Authorities from the various countries in which the Group operates for Euro 99 thousand.

(7) Costs and Other Operating Charges

Costs for services, goods and other operating costs are equal to Euro 28,290 thousand, up by Euro 16,717 thousand compared to the same period of the previous year.

Despite the first quarter of 2022 is still recording hurdles and slowdowns in the supply chain, with a resulting increase in the prices of raw materials and electronic components, the Group has managed to limit the increase in its production costs, minimising procurement difficulties and managing to respect delivery deadlines to its customers.

Notwithstanding the price of raw materials has risen by an average of around 15% over the last twelve months, the ratio of raw material costs to turnover has augmented by four points compared to the first quarter of the previous year, thanks to the various price increase that allowed the Group to pass such increase on to its customers.



The incidence of other operating costs, excluding the costs for the purchase of raw materials, remained almost stable, recording an improvement of 0.3% on total revenues thanks to the exploitation of operating leverage, despite the increasing trend in transportation and energy costs.

Personnel costs recorded an increase less than proportional to the increase in turnover thanks to the exploitation of the operating leverage effect

(8) Amortisation and Depreciation

Amortisation and depreciation for the period are equal to Euro 3,183 thousand, up by Euro 1,744 thousand compared to the same period of the previous year, due to the investments made during the reporting period.

PERFORMANCE AS AT MARCH 31, 2022

In spite of the economic difficulties caused by the increase in the cost of raw materials and electronic components, the complexity of finding them on the market, together with a lengthening and simultaneous slowdown in supply lead times, the Group achieved an important result in terms of growth in turnover compared to the same period of the previous year.

Sales revenues increased by 119.87%, while total other operating revenues and income increased by 24.26%.

Sales revenues by geographic area

As required by IFRS 8, information regarding the geographic distribution of revenue is provided in the table below. In particular, four geographic areas have been identified: EMEA, USA, APAC and Rest of the World. The breakdown of revenue from sales, indicating the specific geographic area, is as follows:

Geographic area	31/03/2022	31/03/2021	Change	Change %
EMEA	34.851	13.856	20.995	151,52%
- of which Italy	18.446	11.061	7.385	66,76%
USA	5.274	4.445	829	18,66%
APAC	1.784	1.140	644	56,52%
Rest of the World	848	6	842	14041,26%
Revenues by geographic area	42.758	19.446	23.311	119,87%

Sales revenues rose from Euro 19,446 thousand as of March, 31 2021 to Euro 42,758 thousand as of March, 31 2022, increasing by 119,87% on the same period of the previous year. Those changes are the result of the growth in revenues in EMEA and Asia-Pacific areas.

In particular, the growth in revenues was concentrated:

- In the EMEA area with an increase of Euro 20,995 thousand (+151.52%) mainly as a result of higher revenues from Italy, which shows an increase in revenues compared to the previous period in the Industrial (+ Euro 3,429 thousand), Fitness (+€2,607 thousand) and Vending (+ Euro 2,062 thousand)



sectors. The increase in revenue compared to the first quarter of the previous year was also influenced by the inclusion of SECO North Europe in the scope of consolidation from October 2021;

- in the US area for an increase of Euro 829 thousand (+ 18,66%), mainly due to the inclusion of SECO Mind USA in the consolidation area in June 2021;
- in the APAC area for an increase of Euro 644 thousand (+56.52%) mainly due to higher revenues from the sale of touch screens and TFTs;
- in the Rest of the World area for an increase of Euro 842 thousand, ascribable for the most part to an increase in sales volumes with customers from Latin America.

Economic alternative performance indicators

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

	31/03/2022	31/03/2021	Change	Change %
Total revenues and operating income	43,730	20,228	23,502	116.18%
Costs for services, goods and other operating costs	(28,344)	(11,335)	(17,008)	150.05%
Personnel costs	(8,167)	(4,362)	(3,804)	87.21%
EBITDA	7,220	4,531	2,689	59.36%

The increase between the two reporting periods (Euro 2,689 thousand, +59.36%) is the effect of the increase in sales with consequent growth in gross margin (up by Euro 10,265 thousand), together with an improvement in the operating leverage on other operating cost and personnel costs.

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

The Group deems that the identification of extraordinary and/or non-recurring items subject to adjustments was made in such a way as to represent in a true and fair view the Group's operating performance.

	31/03/2022	31/03/2021	Change	Change %
EBITDA	7,220	4,531	2,689	59.36%
Exchange gains/losses	54	(237)	292	-122.75%
Income elements not relating to normal business operations	1,274	266	1,008	378.92%
Non-recurring income elements that are part of the company's ordinary operations	23	45	(22)	-48.98%
Adjusted EBITDA	8,571	4,604	3,967	86.15%

As at March 31, 2022, the Group recorded an *Adjusted EBITDA* of Euro 8,571 thousand, up by 86.15% compared to the same period of the previous year.



The income elements not relating to normal business operations, amounting to Euro 1,274 thousand, are mainly the result of Euro 945 thousand related to the actuarial value of the stock option plan assigned to certain manager of the Group and Euro 329 thousand related to M&A costs.

Non-recurring income items included in the company's core business, amounting to Euro 23 thousand, refer to costs related to the ongoing health emergency.

Balance sheet alternative performance indicators

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

In the table below is presented the breakdown of net financial indebtedness as at March 31, 2022 compared to December 31, 2021.

As at March 31, 2022, the Group's net financial indebtedness amounted to negative Euro 139,010 thousand, compared to a negative Euro 109,473 thousand as at December 31, 2021.

	31/03/2022	31/12/2021	Change	Change %
A, Cash	26	21	5	23.48%
B, Other cash equivalents	36,729	58,804	(22,075)	-37.54%
C, Other current financial assets	0	0	0	0.00%
D, Cash and cash equivalents (A) + (B) + (C)	36,755	58,825	(22,070)	-37.52%
E, Current financial indebtedness	(22,517)	(13,053)	(9,464)	72.50%
F, Current portion of non-current indebtedness	(10,195)	(10,197)	2	-0.02%
G, Current financial indebtedness (E)+(F)	(32,712)	(23,251)	(9,462)	40.70%
H, Current net financial indebtedness (G)+(D)	4,043	35,574	(31,532)	-88.64%
I, Non-current financial indebtedness	(143,053)	(145,047)	1,994	-1.37%
J, Debt instruments	0	0	0	0.00%
K, Trade payables and other non-current payables	0	0	0	0.00%
L, Non-current financial indebtedness (I)+(J)+(K)	(143,053)	(145,047)	1,994	-1.37%
M, Total financial indebtedness (H)+(L)	(139,010)	(109,473)	(29,538)	26.98%

Net financial indebtedness increases by Euro 29,538 thousand, mainly due to the need to support the increase in the value of inventories, up by Euro 11,965 thousand compared to December 31, 2021, as consequence of the growth of the stock level to overcome the market situation of delays in the supply chain of raw material.

In the first quarter of 2022 the Group did not entered into any long-term financial contract.

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 the Consob Communication DEM/6064293 of July 28, 2006 and in line with the ESMA/2013/319 Recommendations, with the VAT credit, current and non-current financial liabilities deriving from leases recognised as a result of the application of IFRS 16 and the financial effect of Mark-to-Market derivatives.



	31/12/2021	31/12/2020	Change	Change %
Net financial indebtedness	(139,010)	(109,473)	(29,537)	26.98%
(+) VAT Credit	4,318	2,699	1,619	59.98%
(-) Current financial liabilities deriving from leases	(1,556)	(1,552)	(4)	0.29%
(-) Non-current financial liabilities deriving from leases	(6,608)	(6,964)	356	-5.11%
(-) Derivative financial instruments	(728)	(728)	0	0%
Adjusted net financial indebtedness	(125,800)	(97,530)	(28,270)	28.99%

Adjusted net financial indebtedness is negative for Euro 125,800 thousand as of March 31, 2022 compared to negative Euro 97,530 thousand as at December 31, 2021. The increase is mainly due to the effects already analysed in the previous paragraph, combined with the positive effect of the increase in the VAT credit recorded during the first quarter of 2022 and a lower value of the debt deriving from leases as of March 31, 2022 compared to the amount recorded at the end of the 2021 fiscal year.

SIGNIFICANT SUBSEQUENT EVENTS

At the end of April, SECO and Camozzi Digital signed a partnership agreement to accelerate growth in the global Industrial Internet of Things market.

The agreement will allow SECO to integrate into CLEA over 90 ready-to-use apps, algorithms and smart connectors specifically designed for Autonomous Manufacturing, significantly accelerating the time-to-market of its IoT-AI platform.

The agreement envisions the transfer, by Camozzi Digital, of the business unit including a part of employees (involved in the development of AI algorithms and apps) and intellectual property assets with a value of €50M. As a result, Camozzi Group becomes a reference shareholder of SECO, with a long-term approach: in fact, no. 7,971,583 new shares reserved to Camozzi Digital will be issued, corresponding to 6.73% of the share capital of SECO, in partial execution of the mandate granted to the Board of Directors of SECO by the Shareholders' meeting of November 19, 2021 pursuant to art. 2243 of the Italian Civil Code. These shares will be issued at a price of €6.2722 per share, equal to the average price calculated over the last 30 trading days, increased by 5%. The closing of the transaction is expected by the end of June 2022.

In addition, SECO and Camozzi have signed a multi-year industrial agreement under which Camozzi Digital purchased CLEA licenses for €3.6M. The agreement also provides that the Camozzi Group companies purchase hardware solutions, such as edge platforms, IoT gateways and HMI, made by SECO, with a first right of refusal and right to match granted in favour of SECO.



BUSINESS OUTLOOK

During the first quarter of 2022 we have witnessed the continuous recovery of various industry sectors in which some of SECO's key customers operate, after being significantly impacted by the pandemic: among them, Vending, Fitness, Industrial and Entertainment markets.

In the first quarter of 2022, the positive trend, already seen in 2021, in the acquisition of new customers was confirmed as a further contribution to the growth achieved during the reporting period. The significant increase in order intake and order backlog levels compared with 2021, new projects that will enter mass production and the important technological and product developments that SECO will continue to introduce in the remaining of 2022 suggest that the significant organic growth generated by the Group will continue this year.

Important benefits are expected from further deployment of CLEA, the IoT-AI software platform, launched in February 2021, developed to allow customers to process real-time data generated by their devices on the field.

Moreover, the process of achieve cost and revenue synergies from the integration of the entities acquired during 2021 (which now operate as SECO Northern Europe, SECO Mind Srl and SECO Mind USA), continues.

Although the market context is undoubtedly complicated by the continuing shortage of components, thanks to SECO's strategic positioning and by analysing the amount of the order backlog, the trend of orders acquired during the last quarter and the volumes of negotiations in progress, the Group believes it can continue to express significant growth rates during the upcoming quarters of 2022.

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