SECO S.p.A.

HALF-YEAR FINANCIAL REPORT AT JUNE 30, 2022

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,075,739.19
VAT No. 00325250512
Arezzo Companies' Registration No. 4196

CONTENTS

CORPORATE BOARDS

Board of Directors

Office held until the approval of the 2023 annual accounts

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

Board of Statutory Auditors

Office held until the approval of the 2023 annual accounts

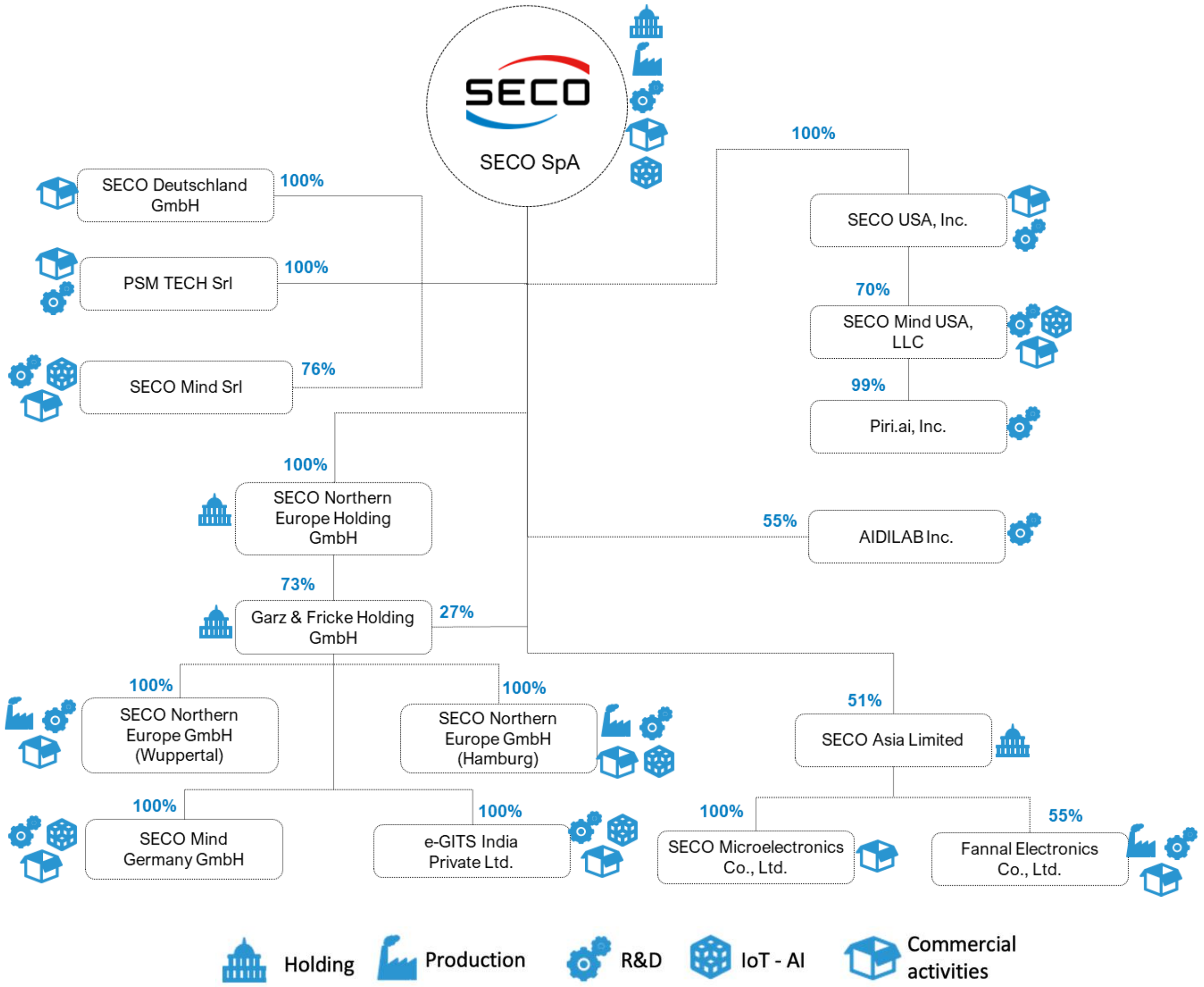
Statutory Auditors	Pierpaolo Guzzo (Chairperson)
	Gino Faralli
	Fabio Rossi
Alternate Auditors	Marco Badiali
	Maurizio Baldassarini

Executive Officer for Financial Reporting	Lorenzo Mazzini
Independent Audit Firm	Deloitte & Touche S.p.A.

Office held until the approval of the 2029 annual accounts

THE GROUP AND ITS OPERATIONS

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



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

SECO is a high-tech group engaged in computer miniaturization and the Internet of Things (IoT). It currently employs over 800 staff across the world and operates through five production plant, nine R&D centers and sales offices in nine countries. The Group serves more than 300 blue-chip customers who are leaders in their respective industries, which include the Medical, Industrial Automation, Aerospace, Fitness, and Vending sectors. In a rapidly evolving and growing marketplace, the Group is renowned for its innovative and customized solutions.

DIRECTORS' REPORT

Market Overview

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

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

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

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

Climate change and issues surrounding raw material and energy supply have combined to make accelerating the digital transition increasingly crucial. Against this backdrop, digitalization will play a key role. Through Artificial Intelligence, it will offer advanced tools to support renewable energy, energy efficiency, and reduced consumption of industrial and personal devices.

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

Operational overview

H1 2022 saw the strong performance reported by the Group in the last quarter of the previous year continue. Development continued of new Edge Computing products and CLEA software platform features in the first six months of 2022. SECO further strengthened its presence and position in the IoT and AI market through three major agreements to add weight to its commercial offerings.

In March, Impresa Pizzarotti & C. S.p.A., a leading company in the design and construction of road, rail and airport infrastructure and health and residential construction, chose CLEA, SECO's IoT and AI software platform, to enable "smart" management of road and hospital infrastructure using a range of high added-value applications and functionalities.

Pizzarotti and SECO will work to develop a hardware and software solution to monitor the operational status and energy consumption of these infrastructures. These will enable users to identify the most appropriate action to improve and reduce their environmental impact, accelerating the transition to a safe and sustainable smart city model.

Also in March, SECO and Exein S.p.A. announced the agreement of an industrial partnership to introduce a software solution to SECO devices which is specifically dedicated to cybersecurity, and to improve the protection and security levels of SECO's edge-to-AI offerings.

Exein is a leading Embedded Security company with headquarters in Rome and San Francisco and has developed the first security ecosystem for the development and management cycle of IoT devices. This is an innovative open-source solution which, thanks to proprietary algorithms and artificial intelligence on Edge, enables potential cyber threats to be identified and neutralized, identifying timely corrective action to be taken without compromising the operability of devices in the field.

Exein solutions will be available to SECO customers as an additional service to the edge computing and AI capabilities that CLEA offers, as a modular Software-as-a-Service (SaaS) model, enabling them also to design customized, high-value offerings for their end-users. Specifically, Exein Pulsar and Cosmo solutions will be available by-design on all of SECO's hardware and software products from September 2022, with the option to extend installation of the cybersecurity package to existing devices in the field.

In late April, SECO and Camozzi Digital, a company specializing in the digitalization of industrial processes and belonging to the Camozzi Group, a leading manufacturer of industrial automation components and systems, signed a partnership agreement with the goal of accelerating growth in the global Industrial Internet of Things (IIoT) market.

The agreement stipulates Camozzi Digital's transfer of the business unit including some of its employees (those working on the development of algorithms and AI applications) and intellectual property assets for Euro 50 million. It will allow SECO to add to CLEA more than 90 ready-to-use apps, algorithms and smart connectors specifically designed for Autonomous Manufacturing, cutting the time-to-market of its IoT-AI platform significantly.

The transaction is scheduled to conclude in early July 2022. For further details, please refer to the Subsequent Events section.

Research and Development and Technological Innovation

Also in H1 2022, SECO made a strong commitment to ensure high levels of innovation, integration and added value in the solutions built according to the specific needs of customers operating in the Biomedical, Digital Signage, Fitness, Industrial, Smart Cities, Transportation and Vending sectors.

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

The constant push for innovation by all the players in a given sector can quickly render a competitive advantage obsolete. As such, every year SECO dedicates significant resources to Research and Development: approx. one-third of SECO personnel are employed, in nine countries across the world, in the design of new products and of off-the-shelf solutions to be sold on the market, in addition to the co-development and co-engineering of customized products, working hand-in-hand with the customer. Specifically, about 150 SECO personnel are exclusively focused on developing artificial intelligence-based software solutions.

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

H1 Operating performance

In a first half of a year that continued to be impacted by the global economic and social challenges created by the ongoing pandemic, and the economic impacts of the conflict between Russia and Ukraine, the Group continued to sustain and strengthen its position in the Edge Computer and IoT market, achieving significant revenue growth compared to the first half of the previous year. Sales revenues were up 125.17% on H1 2021.

We also note that following Sales Revenues growth of 119.88% in Q1 2022 on Q1 2021, the Group reported a significant acceleration of Sales Revenues in Q2 2022, up 129.77%, on Q2 2021. This growth in Sales Revenue is expected to continue in the coming quarters, in light of the Group's order backlog at June 30, 2022, which is up 135% compared to June 30, 2021.

Russian - Ukraine Crisis

Seco Group is closely following the development of the crisis generated by the Russia-Ukraine conflict. The geographical diversification of the Group's sales and purchases means that its exposure in the conflict area is essentially zero.

Sales revenues by region

As required by IFRS 8, information on the geographical distribution of revenues is provided below. Specifically, four regions have been identified: EMEA, USA, APAC and ROW. The breakdown of revenues by region is provided below:

	H1 2022	H1 2021	Changes	%
EMEA	73,374	29,054	44,320	*152.54%*
of which Italy	*38,353*	*23,301*	*15,052*	*64.60%*
USA	11,668	9,712	1,956	*20.14%*
APAC	5,817	3,002	2,815	*93.77%*
Rest of the world	3,249	26	3,223	*12396.15%*
Revenues by region	**94,108**	**41,794**	**52,314**	**125.17%**

Sales revenue increased from Euro 41,794 thousand in H1 2021 to Euro 94,108 thousand in H1 2022, up 125.17% on the same period in the previous year. This follows growth in every region in which the Group operates, with the greatest increases reported in EMEA, Asia-Pacific and the rest of the world.

Specifically, revenue growth was concentrated:

- in EMEA for an increase of Euro 44,320 thousand (+152.54%), chiefly due to higher revenues in Italy, which saw like-for-like consolidation scope increases on the previous year in the Industrial (Euro +6,993 thousand), Fitness (Euro +2,335 thousand) and Vending (Euro +3,643 thousand) sectors. The growth in revenues compared to the first half of the previous year was also affected by the addition of SECO Northern Europe to the consolidation scope in October 2021, increasing Group revenues by Euro 26,111 thousand;
- in the United States for an increase of Euro 1,956 thousand (+20.14%), partly due to the entry of Seco Mind USA into the consolidation scope in June 2021;
- in the APAC region, which saw an increase of Euro 2,815 thousand (+93.77%), mainly attributable to higher revenues from the sale of touch screens and TFTs;
- in the Rest of the world, which reported an increase of Euro 3,223 thousand. This is mostly attributable to the combined effect of the increase in sales volumes to customers in Latin America - specifically to the MSA Group - and different sales timing in H1 2022 compared with the first half of the previous year.

Alternative operating performance measures

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

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

For a correct interpretation of these IAPs, it should be noted that IAPs are not measures whose determination is governed by International Financial Reporting Standards (IFRS) and that the definitions of IAPs used by the Group, as they are not derived from the relevant accounting standards, may not be homogeneous with those adopted by other groups and therefore comparable with them.

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

(in Euro thousands)	2022	2021	Change	Change %
EBITDA	18,429	8,224	10,205	124.09%
Adjusted EBITDA	20,114	9,301	10,812	116.25%
Net financial debt	(132,363)	(109,473)	(22,890)	20.91%
Adjusted net financial debt	(122,644)	(97,530)	(25,114)	25.75%

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

(in Euro thousands)	H1 2022	H1 2021	Change	Change %
Total revenues and operating income	96,259	43,230	53,029	122.67%
Costs for services, goods and other operating costs	(61,005)	(25,801)	(35,204)	136.45%
Personnel costs	(16,824)	(9,205)	(7,619)	82.77%
EBITDA	**18,429**	**8,224**	**10,205**	**124.09%**

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

The increase on the previous period (Euro 10,205 thousand, +124.09%) is due to the increase in sales revenue, which led to a higher gross margin (up Euro 25,510 thousand), and the exploitation of operating leverage on other operating costs and personnel costs.

Adjusted EBITDA - Adjusted EBITDA is a measure to assess the Group's operating performance. Adjusted EBITDA is calculated as the profit before income taxes, financial charges and income, amortization and depreciation, exchange gains or losses, items of income not related to the normal operation of the business and items of income falling within the core business activities having a non-recurring nature.

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

(in Euro thousands)	H1 2022	H1 2021	Change	Change %
EBITDA	**18,429**	**8,224**	**10,205**	**124.09%**
Exchange gains/(losses)	(167)	(329)	162	-49.24%
Income/charges from non-core business activities	1,786	1,380	406	29.42%
Non-recurring income/charges from core business activities	66	27	39	147.04%
Adjusted EBITDA	**20,114**	**9,301**	**10,812**	**116.25%**

The Group reports H1 2022 Adjusted EBITDA of Euro 20,114 thousand, increasing 116.25% on H1 2021.

The income/charges from non-core business activities of Euro 1,786 thousand is principally the result of Euro 377 thousand (Euro 252 thousand in 2021) of costs related to corporate transactions and Euro 1,330 thousand (Euro 1,127 thousand in 2021) concerning the actuarial valuation of the Stock Option plan granted to a number of Group managers.

The non-recurring income/charges from core business activities of Euro 66 thousand concerns for Euro 9 thousand concerning settlement charges for the closure of a receivable with a Group customer, Euro 31 thousand for losses on disposals and Euro 26 thousand of costs related to the ongoing health emergency (Euro 27 thousand in 2021).

Alternative financial performance measures

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

A breakdown of the net financial debt at June 30, 2022, compared to December 31, 2021 is presented below, calculated according to Consob Communication DEM/6064293 of July 28, 2006 and subsequent amendments and supplements (Consob Communication No. 0092543 of December 3, 2015, which incorporates the ESMA/2015/1415 guidelines) and in compliance with the ESMA/2021/32/382/1138 recommendations.

At June 30, 2022, the Group net financial debt was Euro 132,363 thousand, compared to Euro 109,473 thousand at December 31, 2021.

(in Euro thousands)	30/06/2022	31/12/2021	Change	Change %
A. Cash	27	21	7	33.35%
B. Cash equivalents	35,536	58,804	(23,268)	-39.57%
C. Other current financial assets	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	**35,564**	**58,825**	**(23,261)**	**-39.54%**
E. Current financial debt	(18,214)	(13,053)	(5,160)	39.53%
F. Current portion of the non-current debt	(11,730)	(10,197)	(1,532)	15.03%
G. Current financial debt (E)+(F)	**(29,943)**	**(23,251)**	**(6,693)**	**28.78%**
H Net current financial debt (G) + (D)	**5,621**	**35,574**	**(29,953)**	**-84.20%**
I. Non-current financial debt	(137,984)	(145,047)	7,063	-4.87%
J. Debt instruments	0	0	0	0.00%
K. Trade payables and other non-current payables	0	0	0	0.00%
L Non-current financial debt (I) + (J) + (K)	**(137,984)**	**(145,047)**	**7,063**	**-4.87%**
M. Total financial debt (H) + (L)	**(132,363)**	**(109,473)**	**(22,890)**	**20.91%**

Total net financial debt rose Euro 22,890 thousand, mainly due to the increase in the value of inventory, which increased Euro 22,190 thousand on December 31, 2021. This relates to the need to increase inventory in view of the delays in the supply of components.

We note that:

- in H1 2022, the Group did not take on new sources of long-term financing;
- at June 30, 2022, the Mark to Market of derivatives was a positive Euro 9,573 thousand, compared to a negative Euro 728 thousand at December 31. These derivatives are classified as non-current financial assets which are not components to be considered when calculating net financial debt, as per the Consob Communication in accordance with ESMA recommendations 2021/32/382/1138.

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

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

The Adjusted net financial debt was Euro 122,644 thousand at June 30, 2022, compared to Euro 97,530 thousand at December 31, 2021. The increase is due, in addition to the effects outlined in the previous paragraph, to the lower VAT receivable at June 30, 2022 compared to the previous year.

(in Euro thousands)	30/06/2022	31/12/2021	Change	Change %
Net financial debt	**(132,363)**	**(109,473)**	**(22,890)**	**20.91%**
(+) VAT receivables	1,575	2,699	(1,125)	-41.66%
(-) Current finance lease liabilities	(1,741)	(1,552)	(189)	12.15%
(-) Non-current finance lease liabilities	(6,404)	(6,964)	560	-8.04%
(-) Derivative financial instruments (*)	0	(728)	728	-100.00%
Adjusted net financial debt	**(122,644)**	**(97,530)**	**(25,114)**	**25.75%**

(*) at June 30, 2022, the Mark to Market of derivatives was a positive Euro 9,573 thousand, compared to a negative Euro 728 thousand at December 31. These active derivatives are classified as non-current financial assets which are not included in the components to be considered when determining net financial debt, as per Consob Communication in accordance with ESMA recommendations 2021/32/382/1138, and they are therefore not included in the calculation of adjusted net financial debt.

SECO on the stock exchange

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

At June 30, 2022, the SECO S.p.A. (IOT:MI) stock price was Euro 6.33, with a capitalization of approximately Euro 699.2 million.

Subsequent events

The partnership with Camozzi Digital was finalized subsequent to period end.

In July 2022, SECO and Camozzi Digital successfully completed the transaction reported to the market on April 29, 2022. The total value of the transaction is Euro 50 million and includes Camozzi Digital's contribution of the business unit including some of its employees (those working on the development of algorithms and AI applications) and intellectual property assets. The agreement simultaneously provides for the issue of 7,971,583 new shares, equivalent to 6.73% of SECO's share capital post-capital increase, to be reserved, pursuant to Article 2441, fourth paragraph, first sentence of the Civil Code to the Camozzi Group, which therefore becomes a major shareholder for SECO for the long term.

Camozzi Digital has provided SECO with more than 90 ready-to-use apps, algorithms and smart connectors which are specifically developed for Autonomous Manufacturing. These capabilities will be integrated into CLEA, reducing the time-to-market of SECO's IIoT solutions for Smart Factories and OEMs by more than three years.

Specifically, SECO's commercial offer is enriched by two new SaaS solutions for the industrial sector (CLEA Smart HMI and CLEA Smart Factory). These will attract additional business opportunities in edge computing and SaaS, allowing customers to convert collected data into added value and also enabling capital goods manufacturers to propose as-a-Service business models to their customers. From the sale of these new solutions, SECO expects additional SaaS revenues of approx. Euro 50 million in the three-year period 2023-25, of which approx. Euro 14 million in 2024.

The close collaboration between SECO and Camozzi also led to a long-term industrial agreement which saw Camozzi Digital purchase CLEA licenses for Euro 3.6 million. Camozzi Group companies are also expected to purchase SECO hardware solutions including edge platforms, IoT gateways and HMIs. In these areas, SECO has been granted a first right of refusal and right to match.

The corporate reorganization was also completed, consolidating all edge computing business-related activities carried out by SECO in DACH and Northern Europe under the company SECO Northern Europe GmbH. Specifically, this transaction involves the merger of five group legal entities based in Germany into the incorporating companies SECO Northern Europe Holding GmbH and SECO Northern Europe GmbH2, both of which are wholly-owned subsidiaries of SECO S.p.A. The transaction will see SECO benefit from significant cost synergies following the simplification of its corporate structure. It will also maximize the advantages that come from integrating and sharing commercial, technological and production expertise among the different teams operating in DACH and Northern Europe, now united as a single legal entity. The merger is effective from July 1, 2022, with accounting effects backdated to January 1, 2022. SaaS business in the region, on the other hand, will continue to be developed by SECO Mind Germany GmbH, a wholly-owned subsidiary of SECO Northern Europe GmbH.

Outlook

H1 2022 saw the continued recovery of a number of industries in which some of SECO's major customers operate. These sectors had been significantly impacted by the pandemic, and included mainly the Vending, Fitness, Industrial, and Entertainment markets.

The expansion of the customer base in 2021 continued into H1 2022 and further drove growth. The significant increase on 2021 in the order intake (with new orders of Euro 31 million in May, the highest monthly order intake since SECO's foundation) and order backlog, in addition to the new projects that will enter mass production and the major technological and product developments that SECO will continue to introduce in the remainder of 2022, all point to further strong Group organic growth in H2.

Specifically, significant benefits are expected from the further uptake of CLEA, the IoT-AI software platform, launched in February 2021. The platform was developed to allow customers to process real-time data generated by their devices in the field, returning personalized KPIs based on Artificial Intelligence algorithms. Partly as a result of recently established partnerships, the application portfolio offered through CLEA is constantly being expanded. The new solutions that will be available on the market in H2 will strongly contribute to the increasingly rapid uptake of the platform.

Cost and revenue synergies also continue to be generated by the ongoing integration of the entities acquired in 2021, which now operate as SECO Northern Europe, SECO Mind S.r.l., and SECO Mind USA.

While the marketplace is complicated by a challenging general economic environment and continues to be impacted by the protracted component shortage, the factors outlined above, combined with SECO's strategic positioning, order backlog, the order intake in the first half of the year, and the amount of ongoing negotiations, create confidence for the rest of 2022. It is therefore considered that the Group will be able to continue, to further expand its business again in the second half of the year and remain on a trajectory that has already returned significant growth rates.

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2022

Consolidated Balance Sheet

	Notes	30/06/2022	31/12/2021
Property, plant and equipment	1	16,290	16,797
Intangible assets	2	59,401	56,367
Right-of-use	3	9,405	9,895
Goodwill	4	149,199	148,484
Non-current financial assets	5	11,407	1,801
Deferred tax assets	6	2,255	2,252
Other non-current assets	7	738	834
Total non-current assets		**248,695**	**236,430**
Inventories	8	83,875	61,685
Trade receivables	9	48,907	36,696
Tax receivables	10	5,284	6,373
Other receivables	11	2,945	3,491
Cash and cash equivalents	12	35,564	58,825
Total current assets		**176,575**	**167,070**
TOTAL ASSETS		**425,270**	**403,500**
Share capital		1,076	1,074
Share premium reserve		119,003	118,981
Reserves		29,588	21,192
Group Net Profit		4,703	4,149
Total Group equity		**154,370**	**145,395**
Non-controlling interests capital and reserves		18,053	15,256
Non-controlling interests profit		2,053	2,351
Non-controlling interests equity		**20,106**	**17,607**
Total equity	**13**	**174,476**	**163,003**
Employee benefits	14	3,283	3,065
Provisions for risks	15	730	729
Deferred tax liabilities	16	13,893	12,029
Non-current financial payables	17	131,580	138,083
Non-current finance lease liabilities	18	6,404	6,964
Other non-current payables	19	8	612
Total non-current liabilities		**155,897**	**161,482**
Current financial liabilities	20	16,473	11,501
Current portion of non-current financial payables	21	11,730	10,197
Current finance lease liabilities	22	1,741	1,552
Trade payables	23	49,861	39,949
Other current payables	24	11,157	12,294
Tax payables	25	3,935	3,521
Total current liabilities		**94,897**	**79,015**
TOTAL EQUITY & LIABILITIES		**425,270**	**403,500**

Consolidated Income Statement

(in Euro thousands)	Notes	H1 2022	H1 2021
Revenues from sales	**26**	94,108	41,794
Other revenues and income	**27**	2,151	1,436
Raw materials, ancillaries, consumables and goods	**28**	(71,725)	(25,797)
Change in inventories		21,661	4,077
Service costs	**29**	(9,252)	(3,583)
Personnel costs	**30**	(16,824)	(9,205)
Amortization & depreciation	**31**	(6,468)	(2,997)
Doubtful debt provision and provision for risks	**32**	(4)	(30)
Other operating costs	**33**	(1,852)	(797)
Operating Profit		**11,794**	**4,897**
Financial income		17	4
Financial charges	**34**	(2,182)	(258)
Exchange gains/(losses)		167	329
Profit before taxes		**9,796**	**4,972**
Income taxes	**35**	(3,040)	(1,395)
Net profit for the period		**6,756**	**3,576**
Non-controlling interests profit		2,053	667
Group profit		**4,703**	**2,910**
Basic earnings per share		0.02	0.04
Diluted earnings per share		0.02	0.04

Consolidated comprehensive income statement

(in Euro thousands)	H1 2022	H1 2021
Net profit for the period	**6,756**	**3,576**
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:	**9,329**	**304**
Translation differences	1,317	304
Net gain/(loss) on Cash Flow Hedge	8,012	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	**9,329**	**304**
Non-controlling interests	2,739	807
Parent company shareholders	13,345	3,073
Total comprehensive income	**16,084**	**3,880**

E-MARKET SDIR CERTIFIED

Consolidated cash flow statement

(In Euro thousands)	30/06/2022	30/06/2021
Net profit for the period	**6,756**	**3,576**
Income taxes	3,040	1,395
Amortization & depreciation	6,468	2,997
Provisions for risks, receivables and inventories	0	0
Change in employee benefits	218	(91)
Financial income/(charges)	2,165	255
Exchange gains/(losses)	(167)	(329)
Costs for share-based payments	1,330	1,127
Cash flow before working capital changes	**19,810**	**8,931**
Change in trade receivables	(11,866)	(4,146)
Change in inventories	(22,190)	(4,015)
Change in trade payables	9,281	2,898
Other changes in tax receivables and payables	(1,537)	3,127
Other changes in current receivables and payables	(1,191)	(613)
Other changes in non-current receivables and payables	(337)	(10)
Use of provisions for risks, receivables and inventories	0	0
Interest collected	17	4
Interest paid	(1,728)	(258)
Exchange gains/(losses) realized	154	383
Income taxes paid	0	0
Cash flow from operating activities (A)	**(9,587)**	**6,301**
(Investments) /Disposals of property, plant and equipment	(1,163)	(889)
(Investments) /Disposals of intangible assets	(6,911)	(4,580)
(Investments) /Disposals of financial assets	(67)	113
Acquisition of business units net of cash and cash equivalents	0	(5,806)
Acquisition of subsidiaries net of cash and cash equivalents	0	0
Cash flow from investing activities (B)	**(8,141)**	**(11,162)**
New loan drawdowns	0	0
(Repayment) of bank loans	(4,970)	(2,378)
Change in current financial liabilities	5,279	(2)
Repayment lease financial liabilities	(803)	(303)
Dividends paid	0	0
Paid-in capital increase	(400)	93,963
Acquisition of treasury shares	(5,311)	0
Acquisition of shares from minorities	(230)	0
Cash flows from financing activities (C)	**(6,434)**	**91,279**
Increase (decrease) in cash and cash equivalents (A+B+C)	**(24,162)**	**86,418**
Cash & cash equivalents at beginning of the period	58,825	**23,678**
Conversion differences	902	304
Cash & cash equivalents at end of the period	**35,564**	**110,400**

Consolidated Statement of Changes in Equity

(in Euro thousands)	01/01/2022	Share capital increase	Allocation result	Dividends paid	Other movements	Comprehensive Profit/(Loss)	30/06/2022
Share capital	1,074	0	0	0	2	0	1,076
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	118,981	0	0	0	22	0	119,005
Other reserves	20,962	0	4,149	0	(4,396)	8,012	28,728
Translation reserve	457	0	0	0	0	631	1,088
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	(146)	0	0	0	0	0	(146)
Group Net Profit	4,149	0	(4,149)	0	0	4,703	4,703
Group equity	**145,395**	**0**	**0**	**0**	**(4,372)**	**13,347**	**154,370**
Non-controlling interests capital and reserves	15,277	0	2,351	0	(240)	685	18,073
Discounting employee benefits	(21)	0	0	0	0	0	(21)
Non-controlling interests profit	2,351	0	(2,351)	0	0	2,053	2,053
Non-controlling interests equity	**17,607**	**0**	**0**	**0**	**(240)**	**2,738**	**20,106**
Total equity	**163,003**	**0**	**0**	**0**	**(4,612)**	**16,085**	**174,476**

(in Euro thousands)	01/01/2021	Share capital increase	Third-party entry through business combination	Allocation result	Other movements	Comprehensive Profit/(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 employee benefits	(105)	0	0	0	0	0	(105)
Group Net Profit	4,038	0	0	(4,038)	0	2,910	2,910
Group equity	**43,826**	**99,900**	**0**	**0**	**(4,697)**	**3,073**	**142,102**
Non-controlling interests capital and reserves	5,701	0	3,246	1,438	(112)	141	10,413
Discounting employee benefits	(1)	0	0	0	0	0	(1)
Non-controlling interests profit	1,438	0	0	(1,438)	0	667	667
Non-controlling interests equity	**7,138**	**0**	**3,246**	**0**	**(112)**	**807**	**11,078**
Total equity	**50,964**	**99,900**	**3,246**	**0**	**(4,810)**	**3,880**	**153,180**

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2022

The publication of the Group's condensed consolidated half-year financial statements at June 30, 2022 was approved by the Board of Directors on September 12, 2022.

Accounting standards and basis of preparation

Content and form of the Financial Statements

The condensed consolidated half-year financial statements at June 30, 2022 have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the provisions issued under Article 9 of Legislative Decree No. 38/2005. IFRS refers to all the revised international accounting standards (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") - previously known as the Standing Interpretations Committee ("SIC"). 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, 2021, drawn up in compliance with the IFRS.

The accounting policies and principles applied in the preparation of the condensed consolidated interim financial statements at June 30, 2022 are in continuity with those of the previous year, since, for the purpose of preparing its consolidated financial statements, the Company has adopted IFRS as of the year ended December 31, 2020, with a transition date of January 1, 2018.

The condensed consolidated half-year financial statements at June 30, 2022 were prepared on the going concern basis. Taking into account the Group's financial strength and operating profitability, the Directors have assessed that there are no significant uncertainties regarding the ability of the companies included in the consolidation to operate as going concerns in the foreseeable future.

The condensed consolidated half-year financial statements at June 30, 2022 consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Statement of changes in Equity, the Consolidated Cash Flow Statement and these Explanatory Notes.

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

The condensed consolidated half-year financial statements at June 30, 2022 were audited by Deloitte & Touche S.p.A. (appointed by the Shareholders' Meeting of March 1, 2021).

Consolidation principles and consolidation scope

These half-year financial statements include the statutory financial statements of SECO S.p.A. (Parent Company) and the companies in which the parent company directly and/or indirectly holds a controlling interest. The line-by-line consolidation method has been used for these companies.

The following companies are included in the consolidation scope:

- SECO S.p.A., with registered office in Arezzo 52100, Via Achille Grandi No. 20, Tax/VAT No. 00325250512, share capital Euro 1,075,739.00
- PSM Tech S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, Tax/VAT No. 02301580516, share capital Euro 30,000.00
- SECO Deutschland Gmbh, with registered office in Hanau (Federal Republic of Germany), share capital Euro 25,000.00
- Seco Mind S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, share capital Euro 61,200.00 In July 2021, the former Hopenly S.r.l. and Aidilab S.r.l. merged by incorporation into the former Isporata S.r.l. which, as a result of the merger, changed its name to "Seco Mind S.r.l."
- SECO Asia, limited, with registered office in Hong Kong, share capital Euro 6,999,957.05
- Fannal Electronics Co., Ltd, with registered office at 6F, No. 77, Bowang Street, Yuhang District, Hangzhou, Zheijang (People's Republic of China), share capital RMB 7,365,517.00
- Seco USA Inc., with registered office in Rockville, Maryland (USA), share capital USD 3,291,786.37
- Seco Mind USA, LLC, with registered office in San Jose, California, USA, share capital USD 12,857,142.86, incorporated in May 2021
- Piri.ai Inc, with registered office in Ahmedabad (India), share capital INR 100,000.00
- Seco Microelectronics Co., Ltd., with registered office in Hangzhou (People's Republic of China), share capital RMB 64,763,000.00
- SECO Northern Europe Holding GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 25,000.00
- Garz & Fricke Holding GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 102,661.00
- SECO Northern Europe GmbH (Hamburg), with registered office in Hamburg, Federal Republic of Germany, share capital Euro 100,000.00
- SECO Northern Europe GmbH (Wuppertal), with registered office in Wuppertal, Federal Republic of Germany, share capital Euro 26,000.00
- SECO Mind Germany GmbH (Stuttgart), with registered office in Stuttgart, Federal Republic of Germany, share capital Euro 25,000.00
- E-GITS India Private Ltd. (Chennai, India), with registered office in Chennai, India, share capital INR 640,200.00

Any Associated Companies and Minor Companies in which the stake held is below the 20% threshold and which constitute non-current financial assets are measured at fair value with the effects recognized to the income statement (FVTPL).

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

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

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

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

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

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

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

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

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

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

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

Currency	Exchange rate at 30/06/2022	2022 average exchange rate	Exchange rate at 31/03/2021	2021 average exchange rate
US Dollar (USD)	1.0387	1.0934	1.1326	1.2053
Chinese Renminbi (CNY)	6.9624	7.0823	7.1947	7.7960
Indian Rupee (INR)	82.1130	83.3179	84.2292	-

IFRS accounting standards, amendments and interpretations applicable from January 1, 2022

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2022:

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

- Amendments to IFRS 3 Business Combinations: the purpose of the amendments is to update the reference in IFRS 3 to the revised version of the Conceptual Framework, without changing the provisions of the standard.
- Amendments to IAS 16 Property, Plant and Equipment: the purpose of the amendments is not to allow the amount received from the sale of goods produced during the testing phase of the asset to be deducted from the cost of the asset. These sales revenues and related costs will therefore be recognized to the statement of profit or loss.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: the amendment clarifies that in estimating the possible onerousness of a contract, all costs directly attributable to the contract must be considered. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used to perform the contract).
- Annual Improvements 2018-2020: the amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples of IFRS 16 Leases.

The adoptions of these amendments do not have any effects on the Group consolidated financial statements.

IFRS and IFRSI accounting standards, amendments and interpretations approved by the EU, not yet mandatory and not adopted in advance by the Group at June 30, 2022

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

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

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

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

The main features of the General Model are:

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

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

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

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

On February 12, 2021, the IASB published two amendments entitled "**Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2" and "Definition of Accounting Estimates—Amendments to IAS 8".** The changes are intended to improve disclosure on accounting policies to provide more useful information to investors and other primary users of financial statements and to help companies distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be applicable from January 1, 2023, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

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

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

On January 23, 2020, the IASB published an amendment entitled "**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current** The purpose of the document is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2023 and early application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

On May 7, 2021, the IASB published an amendment called "**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**". The document clarifies how deferred taxes should be accounted for on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will be applicable from January 1, 2023, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

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

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

Sector disclosure

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

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Consolidated
Revenues from sales	66,097	26,111	1,899	94,108
Other revenues and income	1,810	339	2	2,151
Costs for services, goods and other operating costs	(44,135)	(15,638)	(1,395)	(61,168)
Personnel costs	(11,087)	(5,406)	(331)	(16,824)
Amortization & depreciation	(4,874)	(1,478)	(117)	(6,468)
Provisions and write-downs	0	(4)	0	(4)
Operating Profit	**7,812**	**3,924**	**58**	**11,794**
Financial income	2	16	0	17
Financial charges	(903)	(1,280)	0	(2,182)
Exchange gains/(losses)	364	(196)	0	167
Profit before taxes	**7,274**	**2,464**	**58**	**9,796**
Income taxes	(2,236)	(716)	(89)	(3,040)
Net profit for the period	**5,039**	**1,748**	**(31)**	**6,756**

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Consolidated
Total non-current assets	168,743	68,764	11,188	248,694
Total current assets	135,859	38,256	2,461	176,576
Total non-current liabilities	(70,497)	(85,400)	0	(155,897)
Total current liabilities	(78,948)	(15,558)	(391)	(94,897)

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

	H1 2022	H1 2021	Changes	%
EMEA	73,374	29,054	44,320	*152.54%*
of which Italy	*38,353*	*23,301*	*15,052*	*64.60%*
USA	11,668	9,712	1,956	*20.14%*
APAC	5,817	3,002	2,815	*93.77%*
Rest of the world	3,249	26	3,223	*12396.15%*
Revenues by region	**94,108**	**41,794**	**52,314**	**125.17%**

Sales revenue increased from Euro 41,794 thousand in H1 2021 to Euro 94,108 thousand in H1 2022, up 125.17% on the same period in the previous year. This follows growth in every region in which the Group operates, with the greatest increases reported in EMEA, Asia-Pacific and the rest of the world.

Specifically, revenue growth was concentrated:

- in EMEA for an increase of Euro 44,320 thousand (+152.54%), chiefly due to higher revenues in Italy, which saw increases on the previous year in the Industrial (Euro +6,993 thousand), Fitness (Euro +2,335 thousand) and Vending (Euro +3,643 thousand) sectors. The growth in revenues compared to the first half of the previous year was also affected by the addition of SECO Northern Europe to the consolidation scope in October 2021, increasing Group revenues by Euro 26,111 thousand;
- in the United States for an increase of Euro 1,956 thousand (+20.14%), partly due to the entry of Seco Mind USA into the consolidation scope in June 2021;
- in the APAC region, which saw an increase of Euro 2,815 thousand (+93.77%), mainly attributable to higher revenues from the sale of touch screens and TFTs;
- in the Rest of the world, which reported an increase of Euro 3,223 thousand. This is mostly attributable to the combined effect of the increase in sales volumes to customers in Latin America - specifically to the MSA Group - and different sales timing in H1 2022 compared with the first half of the previous year.

Risk management policies

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

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

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

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

a) credit risk;

b) liquidity risk;

c) interest rate risk;

d) exchange rate risk.

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

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

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

Credit Risk

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

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

Liquidity risk

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

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

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

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

Interest rate risk

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

In the event of significant fluctuations in interest rates, borrowing costs arising from loan agreements could also increase significantly. To the best of the Group's knowledge, no material events of the type described above occurred in H1 2022.

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

Exchange rate risk

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

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

Risk associated with ICT Systems

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

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Financial assets and liabilities

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

Financial assets at 30/06/2022	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	1,696	9,573	137	11,407
Trade receivables	0	0	48,907	48,907
Other receivables	0	0	2,945	2,945
Total financial assets as per IFRS 7	**1,696**	**9,573**	**51,989**	**63,259**

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

Financial liabilities at 30/06/2022	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	0	0	6,404	6,404
Non-current financial payables	0	0	131,580	131,580
Total non-current financial liabilities	**0**	**0**	**137,984**	**137,984**
Current financial liabilities	0	0	16,472	16,473
Current financial lease liabilities	0	0	1,741	1,741
Current portion of non-current financial payables	0	0	11,730	11,730
Total current financial liabilities	**0**	**0**	**29,943**	**29,944**
Trade payables	0	0	49,861	49,861
Other non-current payables	0	0	8	8
Other current payables	0	0	11,157	11,157
Total financial liabilities as per IFRS 7	**0**	**0**	**228,953**	**228,953**

Financial liabilities at 31/12//2021	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	0	0	6,964	6,964
Non-current financial payables*	0	0	138,083	138,083
Total non-current financial liabilities	**0**	**0**	**145,047**	**145,047**
Current financial liabilities	762	0	10,739	11,501
Current financial lease liabilities	0	0	1,552	1,552
Current portion of non-current financial payables	0	0	10,197	10,197
Total current financial liabilities	**762**	**0**	**22,489**	**23,251**
Trade payables	0	0	39,949	39,949
Other non-current payables	600	0	12	612
Other current payables	0	0	12,294	12,294
Total financial liabilities as per IFRS 7	**1,362**	**0**	**219,790**	**221,152**

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Notes to the Balance Sheet

(1) Property, plant & equipment

Category	30/06/2022	31/12/2021	Change
Land and buildings	4,355	4,432	(77)
Plant and machinery	7,609	8,230	(621)
Other tangible assets	4,034	3,955	79
Assets in progress	292	180	112
Total property, plant and equipment	**16,290**	**16,797**	**(507)**

The main investments made by the Group in the period totaled Euro 1,184 thousand and mainly concerned the "Plant and Machinery" and "Other tangible assets" categories.

"Plant and machinery" increased by Euro 391 thousand, following the acquisition of new machinery to support the production growth of SECO S.p.A. and Fannal, while the "Other tangible assets" account increased by Euro 674 thousand as a result of the continual investments made in the equipment necessary for R&D to support the development of new products and updating to the latest sector technological standards, chiefly attributable to SECO S.p.A.

The relative movements in the year are reported below:

	Land & buildings	Plant & machinery	Other tangible assets	Assets in progress	Total
Historical cost 31/12/2021	5,058	13,761	6,309	180	25,308
Increases	8	391	674	112	1,184
Decreases	0	(44)	(40)	0	(84)
Historical cost 30/06/2022	***5,065***	***14,107***	***6,944***	***292***	***26,409***
Accumulated depreciation 31/12/2021	(625)	(5,531)	(2,354)	0	(8,511)
Depreciation	(85)	(1,012)	(575)	0	(1,672)
Decreases	0	44	19	0	63
Accumulated depreciation 30/06/2022	***(710)***	***(6,499)***	***(2,910)***	***0***	***(10,119)***
Net value 31/12/2021	4,432	8,230	3,955	180	16,797
Net value 30/06/2022	**4,355**	**7,609**	**4,034**	**292**	**16,290**

(2) Intangible assets

Category	30/06/2022	31/12/2021	Change
Development costs	14,969	16,497	(1,528)
Software	4,899	3,883	1,016
Customer List	32,010	32,670	(660)
Other intangible assets	285	301	(16)
Assets in progress	7,238	3,016	4,222
Total intangible assets	**59,401**	**56,367**	**3,034**

The account increased by Euro 6,919 thousand in the period, mainly related to: i) the purchase of new software, chiefly attributable to the companies Fannal and SECO S.p.A. for a total of Euro 1,716 thousand, and ii) the recognition of project development costs for "standard products" with long-term utility incurred during the period for Euro 4,222 thousand. The development costs of “custom” products (developed for a specific customer) are fully expensed in the year.

Movements during the period are shown below:

Category	Net value 31/12/2021	Increases	Decreases	Amortization	Net value 30/06/2022
Development costs	16,497	852	0	(2,381)	14,969
Software	3,883	1,768	0	(752)	4,899
Customer List	32,670	0	0	(660)	32,010
Other intangible assets	301	76	(11)	(82)	285
Assets in progress	3,016	4,222	0	0	7,238
Total intangible assets	**56,367**	**6,919**	**(11)**	**(3,874)**	**59,401**

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

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

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

(3) Right-of-use

Category	30/06/2022	31/12/2021	Change
Land & buildings	6,364	6,672	(308)
Plant & machinery	2,012	2,102	(90)
Depreciation	1,029	1,121	(91)
Right-of-use	**9,405**	**9,895**	**(490)**

Right-of-use includes lease contracts for land and buildings, and leasing of vehicles and machinery.

The Euro 490 thousand decrease in this item is the net effect of i) the gradual recognition of depreciation on contracts in place at the beginning of the year, ii) the signing in H1 2022 of a lease agreement by Fannal for Euro 228 thousand to expand the company's offices, and iii) the purchase of new plant and machinery by SECO S.p.A. for Euro 329 thousand. Specifically, these investments relate to a new optical inspection machine used in the production process, and an IT infrastructure investment to strengthen the Group's digital data security.

Movements during the period are shown below:

	Land & buildings	Plant & machinery	Other tangible assets	Total
Historical cost 31/12/2021	7,605	3,438	1,194	12,237
Increases	232	329	0	562
Decreases	0	(129)	0	(129)
Historical cost 30/06/2022	***7,838***	***3,638***	***1,194***	***12,670***
Accumulated depreciation 31/12/2021	(933)	(1,336)	(73)	(2,342)
Depreciation	(540)	(291)	(91)	(923)
Decreases	0	0	0	0
Accumulated depreciation 30/06/2022	***(1,473)***	***(1,626)***	***(164)***	***(3,264)***
Net value 31/12/2021	6,672	2,102	1,121	9,895
Net value 30/06/2022	**6,364**	**2,012**	**1,029**	**9,405**

(4) Goodwill

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

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

Category	30/06/2022	31/12/2021	Change
Goodwill	149,199	148,484	715
Total Goodwill	**149,199**	**148,484**	**715**

The value of goodwill at June 30, 2022 increased by Euro 715 thousand on December 31, 2021. This is entirely a result of the exchange rate effect on the value of goodwill of SECO Mind USA LLC compared to its value in Euro at December 31, 2021.

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

As described in the section on accounting standards, goodwill is subject annually (or more frequently if specific events or circumstances indicate the possibility of having incurred an impairment) to verifications of any reduction in value, as provided by IAS 36 Reduction in value of asset (impairment tests).

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

In accordance with IAS 36, as of June 30, 2022, the Group conducted analyses to identify any indicator of impairment such as to affect the recoverability of the recorded values. The Group, considered the stock market capitalization, carried out a comparison between the final balance as of the date and what was budgeted by the budget data for the year 2022 supplemented by the forecast data for the period 2022-2024, approved by the Board of Directors. These analyses showed no indicators of impairment and, therefore, it was not necessary to update the impairment test conducted for the purposes of the financial statements as of December 31, 2021

(5) Non-current financial assets

Category	30/06/2022	31/12/2021	Change
Non-current financial assets	1,833	1,767	67
Assets for derivative financial instruments	9,573	34	9,539
Total non-current financial assets	**11,407**	**1,801**	**9,606**

Total non-current financial assets increased from Euro 1,801 thousand at December 31, 2021 to Euro 11,407 thousand at June 30, 2022. The item chiefly reflects the Mark to Market value of derivative contracts entered into by the Group and the fair value of the 12.57% indirect minority interest of Euro 1,562 thousand held by the Chinese subsidiary Seco Microelectronics in a project company for the construction of the new production plant in Fannal.

(6) Deferred tax assets

Category	30/06/2022	31/12/2021	Change
Deferred tax assets	2,255	2,252	3
Total deferred tax assets	**2,255**	**2,252**	**3**

Deferred tax assets, the recognition of which is subject to the reasonable certainty of their recoverability, corroborated also by the results of the impairment test to which goodwill is subject annually, are determined on the basis of the tax rates in force, corresponding to those that will be applied at the time these differences are reversed. It should be noted that tax assets relating to the actuarial valuations of defined-benefit plans and the effects of consolidation adjustments are charged directly to equity. Total deferred tax assets increased from Euro 2,252 thousand at December 31, 2021 to Euro 2,255 thousand at June 30, 2022.

(7) Other non-current assets

The item totals Euro 738 thousand at June 30, 2022 (Euro 834 thousand at December 31, 2021) and mainly comprises Other tax receivables beyond one year for Euro 663 thousand related to the Tax Credit for purchase of capital goods under Industry 4.0.

(8) Inventories

Inventories at June 30, 2022 totaled Euro 83,875 thousand, increasing Euro 22,190 thousand on December 31, 2021. The breakdown of this account is shown in the table below:

Category	30/06/2022	31/12/2021	Change
Raw materials	73,476	49,369	24,108
Semi-finished products	2,963	7,959	(4,996)
Finished products	6,617	3,886	2,732
Advances to suppliers	2,745	2,399	347
Inventory obsolescence provision	(1,927)	(1,927)	0
Total inventories	**83,875**	**61,685**	**22,190**

The increase in the year is mainly due to the increase in the item "Raw materials", as the Group, in order to cope with the progressive extension of delivery times due to the continuing global economic situation caused by the ongoing pandemic, chose to increase the safety stock levels of the warehouse in order to allow the regular progress of internal production in view of an ever-growing order portfolio.

(9) Trade receivables

Category	30/06/2022	31/12/2021	Change
Trade receivables	49,574	37,420	12,155
Doubtful debt provision	(667)	(724)	56
Total trade receivables	**48,907**	**36,696**	**12,211**

Trade receivables at June 30, 2022 amounted to Euro 48,907 thousand, increasing Euro 12,211 thousand on December 31, 2021. The increase in trade receivables is mainly attributable to the increase in sales, which is a result of both increased volumes from the Group's existing customers and the acquisition of new customers.

(10) Tax receivables

Category	30/06/2022	31/12/2021	Change
VAT	1,839	3,568	(1,730)
Income taxes	497	383	114
Other	2,948	2,422	527
Total tax receivables	**5,284**	**6,373**	**(1,089)**

Tax receivables at June 30, 2022 amounted to Euro 5,284 thousand, decreasing Euro 1,089 thousand on December 31, 2021. This is attributable to the combined effect of SECO S.p.A.'s use of the VAT credit generated in 2020 as an offset and the increase in other tax credits, which include Research and Development and Industry 4.0 Credits.

(11) Other receivables

Category	30/06/2022	31/12/2021	Change
Advances	699	496	203
Other receivables	1,311	2,125	(814)
Prepayments and accrued income	935	870	65
Total other receivables	**2,945**	**3,491**	**(546)**

Other receivables at June 30, 2022 amounted to Euro 2,945 thousand and decreased Euro 546 thousand on the previous year. This decrease is due to the combined effect of (i) the increase in advance payments to June 30, 2022 compared to December 31, 2021, following rising demand for advance payments from raw material suppliers; and (ii) a decrease in other receivables as a result of the elimination of intercompany items.

(12) Cash and cash equivalents

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

Category	30/06/2022	31/12/2021	Change
Cash	13	21	(8)
Cash and cash equivalents	35,551	58,804	(23,253)
Total cash and cash equivalents	**35,564**	**58,825**	**(23,261)**

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

(13) Equity

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

SHARE CAPITAL - At June 30, 2022, the authorized share capital totaled Euro 1,127,934 and was divided into 110,451,131 shares. The paid-up share capital at June 30, 2022 amounted to Euro 1,075,739.19.

LEGAL RESERVE - The legal reserve, amounting to Euro 289 thousand at June 30, 2022, is unchanged from December 31, 2021.

SHARE PREMIUM RESERVE - The share premium reserve, amounting to Euro 119,003 thousand at June 30, 2022, saw a net increase of Euro 22 thousand following the exercise by management of the Stock Option Plans.

OTHER RESERVES - Other reserves, amounting to Euro 28,728 thousand at June 30, 2022, refer:

- for Euro 27,038 thousand (Euro 22,878 thousand at December 31, 2021) to non-distributable reserves;
- for Euro 3,440 thousand (Euro 2,535 thousand at December 31, 2021) to incentive plans reserves;
- for negative Euro 9,001 thousand (Euro 3,690 thousand at December 31, 2021) to the treasury share purchase plan reserve. At June 30, 2022 the Company holds 1,140,000 treasury shares;
- for Euro 7,251 thousand (negative Euro 761 thousand at December 31, 2021) to the cash flow hedge reserve.

TRANSLATION RESERVE - The translation reserve, amounting to Euro 1,088 thousand at June 30, 2022, (Euro 457 thousand at December 31, 2021) includes exchange differences from the translation of financial statements of foreign subsidiaries.

FTA RESERVE - The First-Time Adoption reserve related to the adoption of international accounting standards, which was negative for Euro 371 thousand at June 30, 2022, is unchanged from December 31, 2021.

RESERVE FOR LOSSES RECORDED IN OCI - The reserve, negative for Euro 146 thousand at June 30, 2022, includes the result of discounting employee benefits.

DIVIDENDS - In H1 2022 no dividends were distributed.

NON-CONTROLLING INTEREST EQUITY

Non-controlling interest equity amounted to Euro 20,106 thousand at June 30, 2022 and consists of minority interests in:

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

(14) Employee benefits

Category	30/06/2022	31/12/2021	Change
Post-employment benefit provision employees	(2,983)	(2,795)	(188)
Post-employment benefit provision directors	(300)	(270)	(30)
Total employee benefits	**(3,283)**	**(3,065)**	**(218)**

The account includes the post-employment benefit payable and the Group's post-employment benefit payable matured by the Directors and the employees of the Italian companies at June 30, 2022. The overseas companies do not recognize employee benefits or other components attributable to long-term benefits.

The liability for Director and employee post-employment benefits at June 30, 2022 increased by Euro 218 thousand on December 31, 2021, due to the allocation of the portion in the reporting period.

(15) Provisions for risks

Category	30/06/2022	31/12/2021	Change
Agent's supplementary indemnity provision	(37)	(37)	0
Other	(693)	(692)	(1)
Total other risks	**(730)**	**(729)**	**(1)**

The item "Provisions for risks" consists of the provision for supplementary indemnity amounting to Euro 37 thousand and "Other", which is mainly composed of the provision for product warranty relating to SECO Northern Europe for Euro 641 thousand.

(16) Deferred tax liabilities

At June 30, 2022, deferred tax liabilities totaled 13,893 thousand, increasing Euro 1,864 thousand on December 31, 2021. This effect is mainly attributable to the recognition of deferred taxation for Euro 2,289 thousand relating to the Mark to Market accounting of derivative contracts signed by the Group.

(17) Non-current financial payables

Category	30/06/2022	31/12/2021	Change
Non-current financial payables	(131,580)	(138,083)	6,503
Total non-current financial payables	**(131,580)**	**(138,083)**	**6,503**

This item refers to the medium/long-term portion of outstanding loans. The Group has not taken out any additional loans beyond those outstanding at December 31, 2021.

Some of the bank loans have, within the contract, compliance with financial parameters (so-called covenants). These covenants are to be calculated, according to the individual contractual provisions, on the figures in the Parent Company's annual or consolidated financial statements, and are met with reference to December 31, 2021, the last period of survey provided for in the contracts.

Some of the loans taken out have a variable rate. The use of derivative financial instruments is reserved for the management of exposure to fluctuations in interest rates associated with monetary flows, and no speculative activities are undertaken or permitted

(18) Non-current financial lease liabilities

Category	30/06/2022	31/12/2021	Change
Non-current financial lease liabilities	(6,404)	(6,964)	560
Total Non-current financial lease liabilities	**(6,404)**	**(6,964)**	**560**

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

The decrease is due to the combined effect of the repayment of debt to leasing companies with which the Group has existing contracts, and the signing of two new contracts in H1 2022 by SECO S.p.A. for Euro 329 thousand. Specifically, these investments refer to a new optical inspection machine used in the production process, and an IT infrastructure investment to strengthen the Group's digital data security.

(19) Other non-current payables

Category	30/06/2022	31/12/2021	Change
Other non-current payables	(8)	(612)	604
Total other non-current payables	**(8)**	**(612)**	**604**

The item Other non-current payables at June 30, 2022 decreased Euro 604 thousand, mainly due to the reclassification to short-term of the debt that the Group had recognized for the deferred consideration for the acquisition of Ispirata for Euro 600 thousand.

(20) Current financial liabilities

Category	30/06/2022	31/12/2021	Change
Current financial liabilities	(16,473)	(11,501)	(4,972)
Total current financial liabilities	**(16,473)**	**(11,501)**	**(4,972)**

The account includes credit lines, current account overdrafts, credit card payables, payables for advances on invoices and short-term loans falling due within one year for operational purposes existing at June 30, 2022.

(21) Current portion of non-current financial payables

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

Category	30/06/2022	31/12/2021	Change
Current portion of non-current financial payables	(11,730)	(10,197)	(1,533)
Current portion of non-current financial payables	**(11,730)**	**(10,197)**	**(1,533)**

(22) Current financial lease liabilities

Category	30/06/2022	31/12/2021	Change
Non-current financial lease liabilities	(1,741)	(1,552)	(188)
Total Non-current financial lease liabilities	**(1,741)**	**(1,552)**	**(188)**

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

(23) Trade payables

Category	30/06/2022	31/12/2021	Change
Trade payables	(49,861)	(39,949)	(9,912)
Total trade payables	**(49,861)**	**(39,949)**	**(9,912)**

The account includes accounts payable for production supplies, capital expenditures and services received at June 30, 2022. As already highlighted in Note (8) regarding inventories, the increase in trade payables is due to the Group's decision to increase safety stock against the continuous lengthening of delivery times by suppliers of silicon and components.

(24) Other current liabilities

The item "Other current payables" decreased by Euro 1,137 thousand on December 31, 2021. The reduction was mainly due to the other payables of Euro 721 thousand at June 30, 2022 (Euro 3,348 thousand at December 31, 2021), which includes the effect of the repayment of the debt to the former shareholders of SECO Northern Europe.

Category	30/06/2022	31/12/2021	Change
Accrued liabilities	(1,345)	(838)	(507)
Payables to social security institutions	(6,754)	(6,432)	(321)
Other payables	(721)	(3,348)	2,627
Advances - contract liabilities	(2,338)	(1,676)	(661)
Total other current liabilities	**(11,157)**	**(12,294)**	**1,137**

(25) Tax payables

Category	30/06/2022	31/12/2021	Change
Income tax payables	(2,369)	(1,844)	(525)
Amounts due to tax authorities	(1,567)	(1,677)	110
Total Tax payables	**(3,935)**	**(3,521)**	**(414)**

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

Notes to the income statement

(26) Revenues from sales and services

	H1 2022	H1 2021	Changes	%
EMEA	73,374	29,054	44,320	*152.54%*
of which Italy	*38,353*	*23,301*	*15,052*	*64.60%*
USA	11,668	9,712	1,956	*20.14%*
APAC	5,817	3,002	2,815	*93.77%*
Rest of the world	3,249	26	3,223	*12396,15%*
Revenues by region	**94,108**	**41,794**	**52,314**	**125.17%**

Sales revenue increased from Euro 41,794 thousand in H1 2021 to Euro 94,108 thousand in H1 2022, up 125.17% on the same period in the previous year. This follows growth in every region in which the Group operates, with the greatest increases reported in EMEA, Asia-Pacific and the rest of the world, due to increased sales to the MSA Group.

Specifically, revenue growth was concentrated:

- in EMEA for an increase of Euro 44,320 thousand (+152.54%), chiefly due to higher revenues in Italy, which saw increases on the previous year in the Industrial (Euro +6,993 thousand), Fitness (Euro +2,335 thousand) and Vending (Euro +3,643 thousand) sectors. The growth in revenues compared to the first half of the previous year was also affected by the addition of SECO Northern Europe to the consolidation scope in October 2021, increasing Group revenues by Euro 26,111 thousand;
- in the United States for an increase of Euro 1,956 thousand (+20.14%), partly due to the entry of Seco Mind USA into the consolidation scope in June 2021;
- in the APAC region, which saw an increase of Euro 2,815 thousand (+93.77%), mainly attributable to higher revenues from the sale of touch screens and TFTs;
- in the Rest of the world, which reported an increase of Euro 3,223 thousand. This is mostly attributable to the combined effect of the increase in sales volumes to customers in Latin America - specifically to the MSA Group - and different sales timing in H1 2022 compared with the first half of the previous year.

(27) Other income and revenues

Other revenues and income amounted to Euro 2,151 thousand in H1 2022, compared to Euro 1,436 thousand in H1 2021.

	H1 2022	H1 2021	Change	Change %
Operating grant tax credit R&D	702	613	88	*14.39%*
Capital grant tax credit Industry 4.0	424	229	195	*85.12%*
Other operating grants	276	478	(202)	*-42.20%*
Other revenues and income	748	115	633	*550.75%*
Total other revenues and income	**2,151**	**1,436**	**715**	**49.81%**

This account mainly includes:

- the operating grant tax credit for research and development amounting to Euro 702 thousand;

- the capital grant tax credit for the purchase by SECO S.p.A. of instrumental goods under "Industry 4.0" amounting to Euro 424 thousand;
- the pro-rata contribution related to the Group's participation in the SEIS Tender for Euro 171 thousand, and contributions received from participation in projects such as Attract (for Euro 74 thousand) and Altas (for Euro 40 thousand).
- the recognition of other revenues and income amounting to Euro 748 thousand, an increase of Euro 633 thousand on H1 2021. This increase is mainly due to the change in the consolidation scope since the same period of the previous year, in addition to the recognition of income from the recalculation of the variable portion of the price paid to acquire the Garz & Fricke Group (now SECO Northern Europe)

(28) Raw materials, ancillary, consumables and goods

Costs of raw materials, ancillary, consumables and goods for resale amounted to Euro 71,725 thousand in H1 2022, compared to Euro 25,797 thousand in H1 2021. The increase of Euro 45,928 thousand is mainly attributable to three factors: the increase in purchase volumes due to a notable increase in turnover; the effect of the change in consolidation scope since H1 2021; and the general increase in component supply costs as a result of delays and procurement difficulties throughout the supply chain.

(29) Service costs

	H1 2022	H1 2021	Change
Transport costs	1,710	813	897
Commission costs	671	423	248
Rentals and operating leases	688	349	339
Maintenance costs	152	151	1
Consultancy costs	2,661	721	1,940
Bank charges	51	30	21
Administrative and utility costs	1,468	493	975
Other taxes	124	76	48
Outsourcing costs	853	112	741
Marketing costs	591	240	351
Insurance costs	283	175	108
Service costs	**9,252**	**3,583**	**5,669**

Service costs amounted to Euro 9,252 thousand in H1 2022, compared to Euro 3,583 thousand in H1 2021. The increase of Euro 5,669 thousand relates not only to specific causes associated with individual cost categories but also to two general factors: the significant increase in Group turnover (+125.17%) and the expansion of the consolidation scope since the same period of the previous year.

(30) Personnel costs

	H1 2022	H1 2021	Change
Wages and salaries	11,960	6,603	5,357
Social security costs	2,737	1,684	1,053
Post-employment benefit provision	503	350	153
Other personnel costs	1,624	569	1,056
Total personnel costs	**16,824**	**9,205**	**7,619**

Personnel costs in H1 2022 totaled Euro 16,824 thousand, increasing Euro 7,619 thousand on H1 2021. The main component of the increase relates to the recognition of the cost of stock option plans granted to the management team and employees following the stock market listing, amounting to Euro 1,330 thousand, in addition to the increase in the workforce at Group level, both due to the increase in the consolidation scope due to the entry of SECO MIND USA, PIRI.ai and SECO Northern Europe for Euro 4,657 thousand, and due to new hires, necessary to support the development plans in terms of R&D, production and sales.

(31) Amortization and Depreciation

Amortization and depreciation increased from Euro 2,997 thousand at June 30, 2021 to Euro 6,468 thousand at June 30, 2022, increasing Euro 3,471 thousand.

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

The item totals Euro 4 thousand and includes the doubtful debt provision for SECO Northern Europe.

(33) Other operating costs

	H1 2022	H1 2021	Change
Directors' fees and related charges	685	486	199
Board of Statutory Auditors' fees	40	42	(2)
Travel and transfer costs	116	52	64
Losses on receivables	94	8	86
Other operating costs	917	210	707
Total other operating costs	**1,852**	**797**	**1,055**

"Directors' fees and relative charges" increased by Euro 199 thousand on H1 of the previous year. This increase is due to higher Board of Directors' fees for the renewal of the corporate boards following the listing on the stock exchange in May 2021, while other operating costs increased Euro 707 thousand due to the expansion of the consolidation scope since H1 2021.

(34) Financial charges

	H1 2022	H1 2021	Change
Interest charges on loans	1,565	128	1,437
IFRS 16 interest charges	51	13	38
Other financial charges	567	118	450
Total financial charges	**2,182**	**258**	**1,924**

Total financial charges increased from Euro 258 thousand in H1 2021 to Euro 2,182 thousand in H1 2022. The increase is mainly due to interest on new loans signed in H2 2021 for Euro 124,300 thousand, which were required to finance the acquisition of SECO Northern Europe.

(35) Income taxes

	30/06/2022	30/06/2021	Change
Current taxes	1,174	1,435	(262)
Deferred tax income/(charge)	1,867	(40)	1,907
Total income taxes	**3,040**	**1,395**	**1,645**

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

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

Related party transactions

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

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

Type	List of Related parties	Type and main nature of relationship
Legal person	PSM Tech S.r.l.	wholly-owned subsidiary of the Parent Company
Legal person	SECO Mind Srl	76% subsidiary owned by the Parent Company
Legal person	SECO Deutschland GmbH	wholly-owned subsidiary of the Parent Company
Legal person	SECO Northern Europe Holding GmbH	wholly-owned subsidiary of the Parent Company
Legal person	Garz & Fricke Holding GmbH	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO Northern Europe Holding GmbH
Legal person	SECO Northern Europe GmbH (Hamburg)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	SECO Northern Europe GmbH (Wuppertal)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH

Type	List of Related parties	Type and main nature of relationship
Legal person	SECO Mind Germany GmbH (Stuttgart)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	e-GITS India Private Ltd. (Chennai, India)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary Garz & Fricke Holding GmbH
Legal person	SECO USA, Inc.	Indirect wholly-owned subsidiary of the Parent Company through its subsidiary SECO Holding, Inc.
Legal person	SECO MIND USA, LLC	A 70% indirect subsidiary of the Parent Company through its subsidiary SECO USA, Inc.
Legal person	Piri.ai,Inc	A subsidiary of the Parent Company with a 99% indirect interest through its subsidiary SECO USA, Inc.
Legal person	SECO Asia Limited	51% subsidiary owned by the Parent Company
Legal person	Fannal Electronics Co., Ltd	Subsidiary of the Parent Company with a 55% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	SECO Microelectronics Co., Ltd.	Subsidiary of the Parent Company with a 100% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	Consortium Ubiquitous Technologies S.c.a.r.l (CUBIT)	Company 22.5% owned by the Parent Company
Legal person	Hangzhou Fannal AI Co., Ltd.	Investee of the Parent Company with an indirect interest of 12.75% through its subsidiary SECO Microelectronics Co., Ltd.
Legal person	Fondo Italiano d'Investimento SGR S.p.A.	5.38% shareholder of the Parent Company
Legal person	DSA S.r.l.	20.09% shareholder of the Parent Company, 100% controlled by Conti Daniele
Legal person	HSE S.r.l.	20.09% shareholder of the Parent Company, 100% controlled by Secciani Luciano
Legal person	HCS S.r.l.	9.17% shareholder of the Parent Company, 50% controlled by Secciani Luciano and 50% by Conti Daniele
Legal person	Simest S.p.A.	49% shareholder of Seco Asia Limited
Natural person	Daniele Conti	Chairperson of the Board of Directors of the Parent Company, appointed on 01/03/2021
Natural person	Massimo Mauri	Chief Executive Director and Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Claudio Catania	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Emanuela Sala	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Luca Tufarelli	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Luciano Lomarini	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Michele Secciani	Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Elisa Crotti	Independent Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Giovanna Mariani	Independent Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Diva Tommei	Independent Director of the BoD of the Parent Company, appointed on 01/03/2021
Natural person	Pierpaolo Guzzo	Chairperson of the Board of Statutory Auditors of the Parent Company, appointed on 01/03/2021
Natural person	Gino Faralli	Statutory Auditor of the Parent Company, appointed on 01/03/2021

Type	List of Related parties	Type and main nature of relationship
Natural person	Fabio Rossi	Statutory Auditor of the Parent Company, appointed on 01/03/2021
Natural person	Marco Badiali	Alternate Auditor of the Parent Company, appointed on 01/03/2021
Natural person	Maurizio Baldassarini	Alternate Auditor of the Parent Company, appointed on 01/03/2021

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

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

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

Balance Sheet accounts	CUBIT S.c.a.r.l	BoD (*)	BSA (**)	SB and Internal Committees	Total	Total book value	% on total account items
Non-current financial assets	65	0	0	0	**65**	11,407	0.57%
Trade receivables	88	0	0	0	**88**	48,907	0.18%
Employee benefits	0	300	0	0	**300**	3,283	9.12%
Trade payables	104	0	34	22	**159**	49,861	0.32%
Other current payables	0	34	0	0	**34**	11,157	0.30%

Income Statement accounts	CUBIT S.c.a.r.l	BoD (*)	BSA (**)	SB and Internal Committees	Total	Total book value	% on total account items
Revenues from sales	0	0	0	0	**0**	94,108	0.00%
Raw materials, ancillaries, consumables and goods	0	0	0	0	**0**	71,725	0.00%
Service costs	77	0	0	0	**77**	9,252	0.83%
Other operating costs	0	489	40	34	**563**	1,852	30.39%

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

Remuneration of Directors, Statutory Auditors and independent audit firm

The fees in H1 2022 of the Board of Directors of the Parent Company totaled Euro 489 thousand (Euro 352 thousand in H1 2021), while those of the Board of Statutory Auditors totaled Euro 40 thousand (Euro 42 thousand in H1 2021).

Fees paid to the independent audit firm totaled Euro 117 thousand in H1 2022 including expenses (Euro 49 thousand in H1 2021).

Subsequent events

The partnership with Camozzi Digital was finalized subsequent to period end

In July 2022, SECO and Camozzi Digital successfully completed the transaction reported to the market on April 29, 2022. The total value of the transaction is Euro 50 million and includes Camozzi Digital's contribution of the business unit including some of its employees (those working on the development of algorithms and AI applications) and intellectual property assets. The agreement simultaneously provides for the issue of 7,971,583 new shares, equivalent to 6.73% of SECO's share capital post-capital increase, to the Camozzi Group, which therefore becomes a major shareholder for SECO for the long term.

Camozzi Digital has provided SECO with more than 90 ready-to-use apps, algorithms and smart connectors which are specifically developed for Autonomous Manufacturing. These capabilities will be integrated into CLEA, reducing the time-to-market of SECO's IIoT solutions for Smart Factories and OEMs by more than three years.

Specifically, SECO's commercial offer is enriched by two new SaaS solutions for the industrial sector (CLEA Smart HMI and CLEA Smart Factory). These will attract additional business opportunities in edge computing and SaaS, allowing customers to convert collected data into added value and also enabling capital goods manufacturers to propose as-a-Service business models to their customers. From the sale of these new solutions, SECO expects additional SaaS revenues of approx. Euro 50 million in the three-year period 2023-25, of which approx. Euro 14 million in 2024.

The close collaboration between SECO and Camozzi also led to a long-term industrial agreement which saw Camozzi Digital purchase CLEA licenses for Euro 3.6 million. Camozzi Group companies are also expected to purchase SECO hardware solutions including edge platforms, IoT gateways and HMIs. In these areas, SECO has been granted a first right of refusal and right to match.

The corporate reorganization was also completed, consolidating all edge computing business-related activities carried out by SECO in DACH and Northern Europe under the company SECO Northern Europe GmbH. Specifically, this transaction involves the merger of five group legal entities based in Germany into the incorporating companies SECO Northern Europe Holding GmbH and SECO Northern Europe GmbH2, both of which are wholly-owned subsidiaries of SECO S.p.A. The transaction will see SECO benefit from significant cost synergies following the simplification of its corporate structure. It will also maximize the advantages that come from integrating and sharing commercial, technological and production expertise among the different teams operating in DACH and Northern Europe, now united as a single legal entity. The merger is effective from July 1, 2022, with accounting effects backdated to January 1, 2022. SaaS business in the region, on the other hand, will continue to be developed by SECO Mind Germany GmbH, a wholly-owned subsidiary of SECO Northern Europe GmbH.

DECLARATION OF THE HALF-YEAR FINANCIAL REPORT PURSUANT TO ARTICLE 81-*TER* OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

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

of the administrative and accounting procedures for the compilation of the condensed consolidated half-year financial statements in 2022.

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

Arezzo, September 12, 2022

Chief Executive Officer	Executive Officer for Financial Reporting
DocuSigned by: Max Mauri 10C3C4988220467...	DocuSigned by: Lorenzo Mazzini 85C1382E61CC4DA...
Massimo Mauri	Lorenzo Mazzini

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Seco S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Seco S.p.A. and its subsidiaries (the "Seco group"), which comprise the consolidated statement of financial position as of June 30, 2022 the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Seco group as at June 30, 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Gianni Massini

Partner

Florence, Italy
September 13, 2022

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