



SECO S.p.A.

QUARTERLY FINANCIAL REPORT
AT SEPTEMBER 30, 2022

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,153,797.85
VAT No. 00325250512
Arezzo Companies' Registration No. 4196



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CORPORATE BOARDS

Board of Directors

Office held until the approval of the 2023 annual accounts

<u>Chairperson</u>	Daniele Conti
<u>Chief Executive Officer</u>	Massimo Mauri
<u>Directors</u>	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

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

Executive Officer for Financial Reporting Lorenzo Mazzini

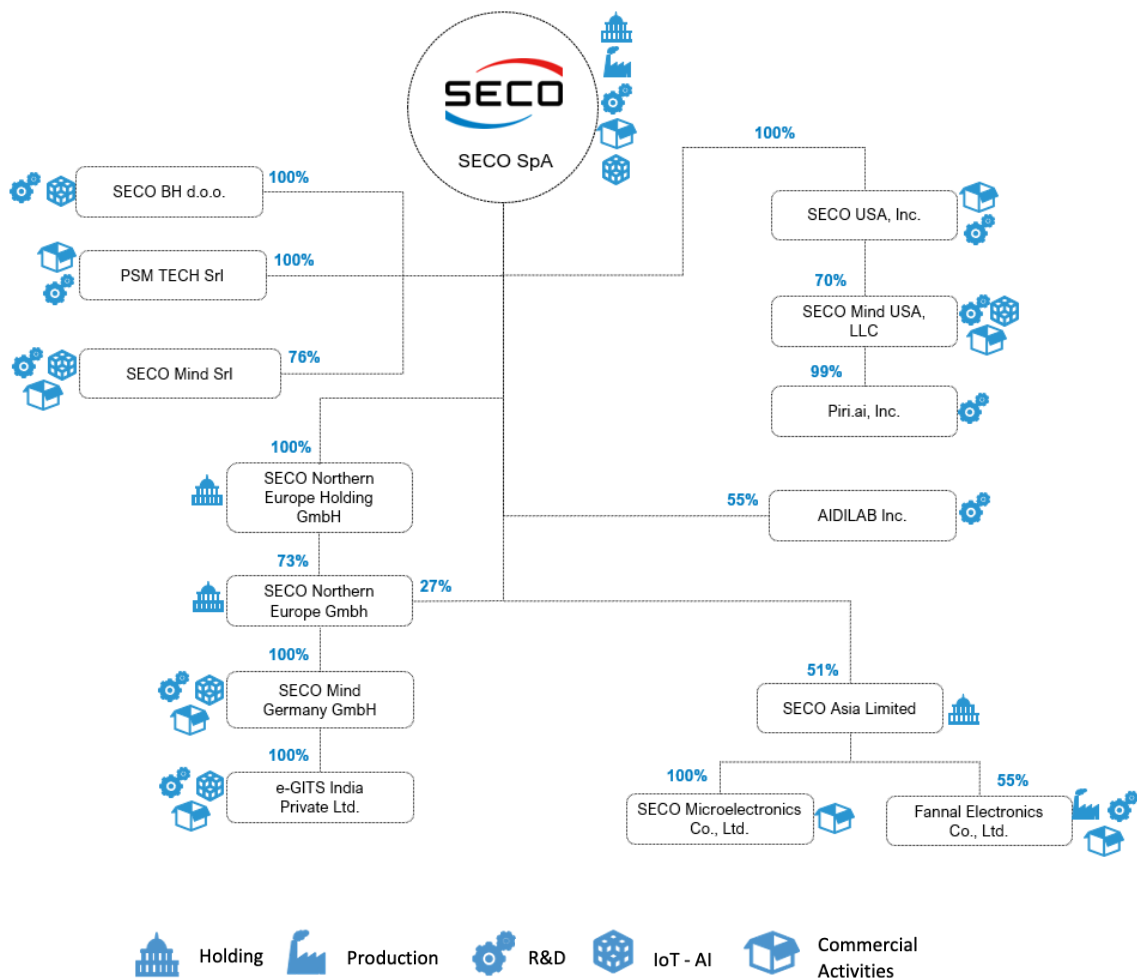
Independent Audit Firm Deloitte & Touche S.p.A.

Office held until the approval of the 2029 annual accounts



THE GROUP AND ITS OPERATIONS

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



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

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



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 competitiveness, 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.

OPERATING OVERVIEW

The third quarter of 2022 saw the Group continue the strong performance delivered in the first half of the year. Development continued of new Edge Computing products and CLEA software platform features in the first nine months of 2022. SECO further strengthened its presence and position in the IoT and AI market through a number of 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 worked together 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 was signed in July and covers 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 IIoT-AI platform significantly.

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 GmbH, 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.

A new industrial partnership between SECO and Libelium Comunicaciones Distribuidas S.L. was announced in September. It seeks to boost the scale of data that can be analyzed by CLEA - particularly for Smart cities and Smart infrastructures applications.

Libelium has a broad catalog of IoT devices and sensors for enterprises and cities to support decision-making processes, improving profitability, sustainability and data accessibility. It also provides software solutions based on artificial intelligence algorithms for numerous areas, including Agrifood, environmental monitoring, smart cities and infrastructure.



This partnership enables SECO to introduce a range of high added-value solutions, providing customers with an ever-more complete range, from data extraction from the field to real-time processing thanks to CLEA's artificial intelligence algorithms.

Research and Development and Technological Innovation

In the first nine months of 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 180 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.

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 September 30, 2022, the SECO S.p.A. (IOT:MI) stock price was Euro 4.01, with a capitalization therefore of approximately Euro 475.4 million.



CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT AT SEPTEMBER 30, 2022

Consolidated Balance Sheet

	Notes	30/09/2022	31/12/2021
Property, plants and equipments		15,976	16,797
Intangible assets		64,575	56,367
Right of Use		9,060	9,895
Goodwill		195,497	148,484
Non-current financial assets		11,939	1,801
Deferred tax assets		2,245	2,252
Other non-current assets		678	834
Total Non-Current Assets	(1)	299,970	236,430
Inventories		89,960	61,685
Trade receivables		44,601	36,696
Tax receivables		4,518	6,373
Other receivables		3,579	3,491
Cash and Cash Equivalents		37,530	58,825
Total Current Assets	(2)	180,188	167,070
TOTAL ASSETS		480,158	403,500
Share capital		1,154	1,074
Share premium reserve		168,587	118,981
Reserves		30,840	21,192
Net Profit for the period		8,899	4,149
Total Group Equity	(3)	209,480	145,396
Minorities Equity and Reserves		18,345	15,256
Minorities Profit for the period		3,122	2,351
Total Minorities Equity		21,467	17,607
Total Equity		230,947	163,003
Employee benefits		3,402	3,065
Provisions		730	729
Deferred tax liabilities		13,510	12,029
Non-current financial liabilities		130,672	138,083
Non-current lease liabilities		6,088	6,964
Other non-current liabilities		8	612
Total Non-Current Liabilities	(4)	154,410	161,482
Current financial liabilities		18,354	11,501
Current part of N-C Financial Liabilities		11,697	10,197
Current lease liabilities		1,659	1,552
Trade payables		47,414	39,949
Other payables		9,919	12,294
Current tax liabilities		5,757	3,522
Total Current Liabilities	(5)	94,801	79,015
TOTAL EQUITY & LIABILITIES		480,158	403,500



Consolidated Income Statement

	Note	30/09/2022	30/09/2021
Net sales		144,759	66,916
Other revenues and income		3,470	1,784
Total revenues and operating income	(6)	148,229	68,701
Costs for services, goods and other operating costs		(92,865)	(43,005)
Personnel costs		(25,928)	(14,069)
Total costs and other operating charges	(7)	(118,794)	(57,074)
Amortization and depreciation	(8)	(9,861)	(4,509)
Provisions and write-downs		0	0
Operating profit		19,574	7,117
Financial income and charges		(3,098)	(413)
Exchange gains/(losses)		489	429
Profit before tax		16,966	7,133
Income taxes		(4,945)	(1,803)
Profit for the period		12,022	5,331
Non-controlling interests profit		3,122	1,439
Group profit		8,899	3,892
Basic earnings per share		0.08	0.06
Diluted earnings per share		0.08	0.06



Consolidated Comprehensive Income Statement

	30/09/2022	30/09/2021
Profit for the period	12,022	5,331
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:	10,128	863
Translation differences	2,116	863
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	10,128	863
Non-controlling interests	4,100	1,796
Parent company shareholders	18,049	4,397
Total comprehensive income	22,149	6,193



Consolidated Cash Flow Statement

	30/09/2022	30/09/2021
Profit for the period	12,022	5,331
Income taxes	4,945	1,803
Amortization and depreciation	9,861	4,509
Provisions for risks, receivables and inventories	0	0
Change in employee benefits	337	10
Financial income/(charges)	3,098	413
Exchange gains/(losses)	(489)	(429)
Costs for share-based payments	1,722	1,833
Cash flow before working capital changes	31,495	13,469
Change in trade receivables	(7,549)	(8,105)
Change in inventories	(28,275)	(7,617)
Change in trade payables	7,068	3,925
Other changes in tax receivables and payables	(854)	5,462
Other changes in current receivables and payables	(2,164)	279
Other changes in non-current receivables and payables	(1,250)	(123)
Use of provisions for risks, receivables and inventories	(0)	0
Interest collected	15	4
Interest paid	(1,975)	(417)
Exchange gains/(losses) realized	388	519
Income taxes paid	0	0
Cash flow from operating activities (A)	(3,100)	7,397
(Investments) /Disposals of property, plant and equipment	(1,694)	(1,315)
(Investments) /Disposals of intangible assets	(9,935)	(7,544)
(Investments) /Disposals of financial assets	(599)	(59)
Acquisition of business units net of cash and cash equivalents	0	(5,941)
Acquisition of subsidiaries net of cash and cash equivalents	0	0
Cash flow from investing activities (B)	(12,229)	(14,859)
New loan drawdowns	0	676
(Repayment) of bank loans	(5,911)	0
Change in current financial liabilities	6,477	500
Repayment lease liabilities	(1,285)	(401)
Dividends paid	0	0
Paid-in capital increase	(684)	91,098
Acquisition of treasury shares	(5,311)	0
Acquisition of shares from minorities	(230)	0
Cash flows from financing activities (C)	(6,944)	91,872
Increase (decrease) in cash and cash equivalents (A+B+C)	(22,273)	84,411
Cash & cash equivalents at beginning of the period	58,825	23,678
Conversion differences	978	863
Cash & cash equivalents at end of the period	37,530	108,952



Consolidated Statement of Changes in Equity

	01/01/2022	Share capital increase	Allocation result	Dividends paid	Other movements	Comprehensive Profit/(Loss)	30/09/2022
Share capital	1,074	0	0	0	80	0	1,154
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	118,981	0	0	0	49,606	0	168,587
Other reserves	20,962	0	4,149	0	(3,651)	8,012	29,472
Translation reserve	457	0	0	0	0	1,138	1,595
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	(146)	0	0	0	0	0	(146)
Net Profit for the period	4,149	0	(4,149)	0	0	8,899	8,899
Group Equity	145,395	0	0	0	46,035	18,049	209,480
Minorities Equity and Reserves	15,277	0	2,351	0	(240)	977	18,366
Discounting employee benefits	(21)	0	0	0	0	0	(21)
Non-controlling interests profit	2,351	0	(2,351)	0	0	3,122	3,122
Total Minorities Equity	17,607	0	0	0	(240)	4,100	21,467
Total Equity	163,002	0	0	0	45,796	22,149	230,947



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Total Non-Current Assets

Non-Current Assets increased from Euro 236,430 thousand to Euro 299,970 thousand (+Euro 63,540 thousand). This movement mainly followed:

- the increase in Intangible Assets of Euro 8,208 thousand, due partly to the completion of the business unit transfer by Camozzi Digital, and partly due to the recognition of development costs for projects in progress for “standard” products (catalog products) with long-term utility incurred in the year;
- increase in Goodwill of Euro 47,013 thousand, mainly following the completion of the transfer of the business unit by Camozzi Digital;
- increase in Non-current financial assets of Euro 10,138 thousand. The item mainly includes the Mark to Market value of the derivative contracts undertaken by the Group.

Business unit transfer by Camozzi Digital

On July 4, 2022, the transfer was completed by Camozzi Digital of the business unit which includes both personnel involved in the development of algorithms and AI applications and intellectual property assets, such as patents and algorithms. The transfer was made in partial execution of the power granted by the Shareholders’ Meeting of November 19, 2021 to the Board of Directors of SECO as per Article 2243 of the Civil Code, and involved the issue of 7,971,583 new ordinary shares - equal to 6.73% of SECO share capital - reserved to Camozzi Digital, at a price of Euro 6.2722 per share for a total value of the transferred business unit of Euro 49,999,362.8926.

Thanks to the integration of the apps transferred with the business unit by Camozzi Digital, SECO will be able to present two CLEA versions for the industrial field - CLEA Smart HMI and CLEA Smart Factory - with which SECO can further complete its value proposition and tap into additional edge computing and SaaS business opportunities.

This transfer is part of the wider partnership agreement between SECO and the Camozzi Group. In particular, SECO and Camozzi have signed a long-term industrial agreement, under which Camozzi Digital acquired CLEA licenses for Euro 3.6 million. The agreement also stipulates that Camozzi Group companies 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 net assets transferred in the business unit transfer have a fair value of Euro 49,999,362.89. The difference between the fair value of the business unit transferred and the net carrying amount of the assets transferred is Euro 45,751,976.89. The assets recognized to the financial statements by the transferee comprises the full holding of Camozzi Digitalne Tehnologije D.o.o. (now SECO BH D.o.o.) (Euro 10,738.00), a financial receivable (Euro 20,000.00) and intangible assets (Euro 4,216,648.00). As the Purchase Price Allocation (PPA) and the relative valuation period under IFRS 3 are in progress, this difference was provisionally allocated to goodwill.



Finally, the identification and fair value measurement of the tangible and intangible assets acquired through the transfer of the business unit, as part of the PPA process, will result in the recognition of deferred taxes on the identified assets.

(2) Total Current Assets

Current Assets increased from Euro 167,070 thousand to Euro 180,188 thousand (+Euro 13,118 thousand).

This movement mainly followed:

- the increase in Inventories for Euro 28,275 thousand, so as to ensure the Group the raw materials required for regular production cycle activity. At a time of historical significant raw material procurement difficulties and due to the longer supply chain lead times (in some cases increasing from three months to twelve months), the Group needs to increase stock levels in order to meet customer delivery deadlines.
- the increase in Trade Receivables of Euro 7,905 thousand, as a combined effect of increased revenue from both long-standing and recently-acquired customers;
- the decrease in Tax Receivables of Euro 1,855 thousand. This is as a combined effect of the offset used from the VAT receivable generated in the previous year by SECO S.p.A. (for Euro 1,361 thousand), and a reduction in the tax receivables of the other Group companies;
- the decrease in cash and cash equivalents of Euro 21,295 thousand. This mainly follows the outlay for the materials to ensure the regular execution of the Group's production cycle. For further details, reference should be made to the cash flow statement.

(3) Total Group Equity

Equity of Euro 209,480 thousand at September 30, 2022 increased by Euro 64,084 thousand, due to the combined effect of the increase of the Share premium reserve (Euro 49,606 thousand, principally for the transaction) and of Other reserves (Euro 9,648 thousand), and the comprehensive net income of Euro 8,899 thousand in 9M 2022.

(4) Total Non-Current Liabilities

Total Non-current Liabilities decreased from Euro 161,482 thousand to Euro 154,410 thousand (-Euro 7,072 thousand). This movement was mainly due to:



- the increase in Deferred tax liabilities of Euro 1,481 thousand. 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;
- the decrease of Non-current financial liabilities of Euro 7,411 thousand, following the repayment of loan instalments in the period;

(5) Total Current Liabilities

Total current liabilities increased from Euro 79,015 thousand to Euro 94,801 thousand (+Euro 15,786 thousand), mainly due to:

- the increase in Current financial liabilities of Euro 6,853 thousand. 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. This increase is mainly due to the need to fund the higher inventory as a result of the ongoing shortages on the main raw material and electronic component procurement markets;
- the increase in Trade payables of Euro 7,465 thousand. The account includes accounts payable for production supplies, capital expenditures and services received at September 30, 2022. The increase is due to the higher purchase volumes needed for production scheduling.

(6) Revenues and operating income

Net sales rose from Euro 66,916 thousand in 2021 to Euro 144,759 thousand in 2022, increasing 116.33% on the same period of the previous year. Reference should be made to the “Sales by region” paragraph below for further details.

Other revenues and income amounted to Euro 3,470 thousand in 2022, compared to Euro 1,784 thousand in the same period of the previous year.

The increase of Euro 1,686 thousand is mainly due to:

- The operating grant tax credit for the purchase by SECO S.p.A. of capital goods under “Industry 4.0” amounting to Euro 475 thousand;
- The operating grant tax credit for research and development amounting to Euro 824 thousand;
- Pro-rata contribution relating to the Group's participation in the SEIS tender for Euro 257 thousand;

(7) Costs and other operating charges

Costs for services, goods and other operating costs totaled Euro 92,865 thousand, increasing Euro 49,860 thousand on the same period of the previous year. This is due to the combined effect of:



- the increase in the cost of raw materials, ancillaries, consumable and goods and the increase in inventories of Euro 41,241 thousand, deriving from the higher purchase volumes due to the significant increase in revenue, the effect of the change in consolidation scope since 9M 2021 and the general increase in component supply costs as a result of delays and procurement difficulties throughout the supply chain;
- the increase in service costs of Euro 7,502 thousand on the same period of the previous year, while remaining unchanged as a percentage of revenue (9%). The increase stems from the significant increase in Group turnover (+116%) and the expansion of the consolidation scope since the same period of the previous year;
- the increase in other operating costs of Euro 1,118 thousand, substantially due to the expansion of the consolidation scope and the increase in revenue. Despite the rising Group cost base, the percentage of these costs on revenue remain stable at 2% (in line with the same period of the previous year).

Personnel costs rose Euro 11,859 thousand on the same period of the previous year. This was less proportional than the increase in revenues thanks to the operating leverage effect.

(8) Amortization and Depreciation

Amortization and depreciation in the period of Euro 9,861 thousand rose Euro 5,352 thousand on the same period of the previous year, due to the investments made in the period.

OPERATING PERFORMANCE TO SEPTEMBER 30, 2022

Despite the economic difficulties caused by rising raw material and electronic component costs, market procurement difficulties and increasing lead times, the Group delivered significant revenue growth on the same period of the previous year.

Sales revenues were up 116.33%, while other operating revenues and income rose 94.51%.

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:



	30/09/2022	30/09/2021	Change	Change %
EMEA	112,718	47,482	65,236	137.39%
of which Italy	57,347	38,593	18,754	48.59%
USA	19,053	15,045	4,008	26.64%
APAC	9,722	4,337	5,385	124.17%
Rest of the world	3,265	52	3,213	6179.38%
Revenues by region	144,759	66,916	77,843	116.33%

Specifically, revenue growth was concentrated:

- in EMEA for an increase of Euro 65,236 thousand (+137.39%), chiefly due to higher revenues in Italy, which saw increases on the previous year mainly in the Industrial (+Euro 6,675 thousand), Fitness (+Euro 3,139 thousand) and Vending (+Euro 5,131 thousand) sectors. The growth in revenues on the same period of the previous year also reflects the entry of the Garz & Fricke GmbH Group - now "SECO Northern Europe" - into the consolidation scope in October 2021;
- in the United States for an increase of Euro 4,008 thousand (+26.64%), partly due to the entry of ORO Networks LLC - now "SECO Mind USA" - into the consolidation scope in June 2021;
- in the APAC region, which saw an increase of Euro 5,385 thousand (+124.17%), mainly attributable to higher revenues from the sale of touch screens and TFTs and the addition of new customers;
- in the Rest of the world, which reported an increase of Euro 3,213 thousand. This is mostly attributable to the increase in sales volumes to customers in Latin America.

Alternative operating performance measures

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.

	30/09/2022	30/09/2021	Change	Change %
Total revenues and operating income	148,229	68,701	79,529	115.76%
Costs for services, goods and other operating costs (*)	(92,376)	(42,576)	(49,800)	116.97%
Personnel costs	(25,928)	(14,069)	(11,859)	84.29%
EBITDA	29,925	12,055	17,869	148.23%

(*) 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 between the two periods (Euro 17,869 thousand, +148.23%) is due to the improved gross margin, i.e. the difference between revenues and the sum of costs for raw materials, ancillaries, consumables and goods and the changes in inventories (Euro 36,602 thousand, +116%), partially offset by the increase in: i) service costs and other operating costs, which however maintained stable as a percentage of revenues at 9% and 2% (in line with the same period of the previous year); ii) the increase in personnel costs, which rose less proportionally than revenues, thanks to operating leverage.



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

The Group considers that the extraordinary and/or non-recurring items subject to adjustment have been identified in a manner that presents the Group's true operating performance.

	30/09/2022	30/09/2021	Change	Change %
EBITDA	29,925	12,055	17,869	148.23%
Exchange gains/(losses)	(489)	(429)	(60)	13.99%
Income/charges from non-core activities	2,520	2,248	272	12.09%
Non-recurring income/charges from core business activities	104	186	(82)	-44.18%
Adjusted EBITDA	32,059	14,061	17,999	128.01%

The Group reports 9M 2022 Adjusted EBITDA of Euro 32,059 thousand, up 128.01% on the same period of the previous year.

The income/charges from non-core business activities of Euro 2,520 thousand mainly concern for Euro 1,722 thousand the actuarial value of the Stock Option plan granted to Group managers and Euro 798 thousand of corporate transaction costs.

The non-recurring income/charges from core business activities totaled Euro 104 thousand, regarding for Euro 26 thousand costs relating to the health emergency, for Euro 69 thousand losses on disposals and for Euro 10 thousand the write-down of a receivable deriving from the merger of G&F Inc into Seco Usa Inc.

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 September 30, 2022 and December 31, 2021 is provided below.

At September 30, 2022, the Group net financial debt was Euro 130,941 thousand, compared to Euro 109,473 thousand at December 31, 2021.



	30/09/2022	31/12/2021	Change	Change %
A. Cash	17	21	(4)	-19.05%
B. Cash equivalents	37,513	58,804	(21,291)	-36.21%
C. Other current financial assets	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	37,530	58,825	(21,295)	-36.20%
E. Current financial debt	(20,014)	(13,053)	(6,961)	53.33%
F. Current portion of the non-current debt	(11,697)	(10,197)	(1,500)	14.71%
G. Current financial debt (E)+(F)	(31,711)	(23,251)	(8,460)	36.38%
H. Net current financial debt (G) + (D)	5,819	35,574	(29,755)	-83.64%
I. Non-current financial debt	(136,760)	(145,047)	8,287	-5.71%
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)	(136,760)	(145,047)	8,287	-5.71%
M. Total financial debt (H) + (L)	(130,941)	(109,473)	(21,468)	19.61%

Total net financial debt rose Euro 21,468 thousand, mainly due to the increase in the value of inventory, which increased Euro 28,275 thousand on December 31, 2021. This relates to the need to increase inventory in view of the delays in the supply of components.

In the first nine months of 2022, the Group did not take on new sources of long-term financing.

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 121,590 thousand at September 30, 2022, compared to Euro 97,530 thousand at December 31, 2021. The increase is mainly due to the effects outlined in the previous paragraph and to the lower VAT receivable at September 30, 2022 compared to the previous year.

	30/09/2022	31/12/2021	Change	Change %
Net financial debt	(130,941)	(109,473)	(21,468)	19.61%
(+) VAT receivables	1,602	2,699	(1,097)	-40.63%
(-) Current lease liabilities	(1,659)	(1,552)	(107)	6.92%
(-) Non-current lease liabilities	(6,088)	(6,964)	876	-12.57%
(-) Derivative financial instruments	0	(728)	728	-100.00%
Adjusted net financial debt	(121,590)	(97,530)	(24,060)	24.67%



SUBSEQUENT EVENTS

No significant events occurred after the end of the reporting period.

OUTLOOK

The first nine months of 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 SECO's customer base in 2021 continued and further drove growth. The significant increase on 2021 in the order intake 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 the final quarter of the year.

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. The analysis of data through Artificial Intelligence algorithms replaces customized KPI's, on which insights, predictions and suggestions are proposed on an ad hoc basis for the device manager and user. 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 the coming months 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 in the final quarter of the year and remain on a trajectory that has already returned significant growth rates.

The Executive Officer for Financial Reporting, Lorenzo Mazzini, declares in accordance with Article 154 bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in this document corresponds to the underlying accounting documents, records and accounting entries.