SECO

ANNUAL REPORT
2022

ANNUAL REPORT

AT DECEMBER 31, 2022

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,153,965.12
VAT No. 00325250512
Arezzo Companies' Registration No. 4196

CONTENTS

Letter to the Shareholders

Dear Shareholders,

The year we have just left behind us was a complicated one due to shortages in raw materials and electronic components, which impacted performance in numerous industries and resulted in a significant increase in lead times and in the cost of materials.

Within this challenging landscape, on the strength of our business model, we can be highly satisfied with the results we achieved in 2022, surpassing Euro 200 million in revenues and posting organic growth of 43% and adjusted EBITDA of Euro 44 million (22% on revenues).

In achieving these results, having internal production capacity and directly controlling all production processes proved to be fundamental and enabled us to maintain continuity in deliveries to our customers and to make further gains in market share.

The increased cost of components, which was only partially passed on to the customer, had a negative impact on our gross profit margin. However, these negative effects were offset by growth in CLEA's IoT business, from Euro 4.5 million in 2021 to Euro 18.5 million in 2022.

The effort made has been enormous. In order to continue supplying our customers, we have had to redesign more than 20 existing products, replacing certain components that have been particularly hard to procure with others with shorter lead times and investing some Euro 25 million – mainly in the first half of the year – in inventories. Nonetheless, we are satisfied with our ability to generate cash flows, despite this complicated climate, generating about Euro 7 million in the last three quarters of the year.

In 2022, we launched over 40 new edge-computing products, enabling our customers to add new features to their devices, such as functional safety and contactless payment. The collaborative work done with our ecosystem of partners has also enabled us to integrate cybersecurity and sensor-based extraction of data from the field into our offering of solutions.

We have also worked on the release of new features for CLEA, our new IoT-AI platform released in early 2021, making it an increasingly crucial tool that our customers can use to design high-value services based on artificial intelligence. Other actions in this direction include the important partnership launched with the Camozzi Group, through which can now rely on both the support of a major new shareholder and more than 90 applications and algorithms specifically intended for industrial automation.

A great deal of work has been done to complete the integration, within just few months of its acquisition, of such an important organization as Garz & Fricke (now SECO Northern Europe). The sharing of numerous best practices in managing business opportunities and production processes, the strengthening of management with the addition of a number of people with proven track records in the industry, and the merger of five legal entities and consequent major savings in general and administrative costs have all given a significant boost to the performance of the Group.

We have continued investing in production lines and other machinery and equipment, as well as in next-generation software, so as to increase our production capacity and extend the use of SAP to all companies of the Group. In the coming months, we expect these efforts to bring significant improvements in the efficiency, automation and quality of our products and processes.

As in years past, 2022 saw numerous initiatives aimed at encouraging the responsible consumption of energy and natural resources in all that we do. For the professional growth of our employees, we have continued to invest in training programs and have launched a performance-evaluation system that introduces rewards mechanisms based on objective parameters. Furthermore, beginning with an analysis of the material environmental, social and governance (ESG) issues identified with the help of our stakeholders, we have defined a set of 20 ESG actions to be implemented in the coming years in order to continue enhancing the structural inclusion of sustainability in both our long-term strategies and our day-to-day operations.

In 2023, we will see strong inflationary pressures and high interest rates, but also great opportunities for growth before us thanks to the strong demand for digital products and solutions. Our customers' needs are increasingly shifting towards integrated hardware and software solutions for smart, interconnected products and for real-time data analysis using models of artificial intelligence. SECO is perfectly positioned to serve these needs in an efficient, innovative manner.

We are at the start of a new era, and the digital revolution has just begun. All we can do is continue to work with passion and determination to seize the enormous opportunities for growth presented to us by our marketplace. We are convinced that this commitment will create value for our customers and, as a result, for all our stakeholders.

Daniele Conti and Massimo Mauri

(Chairperson & Chief Executive Officer)

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
	Valentina Montanari[1]
	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

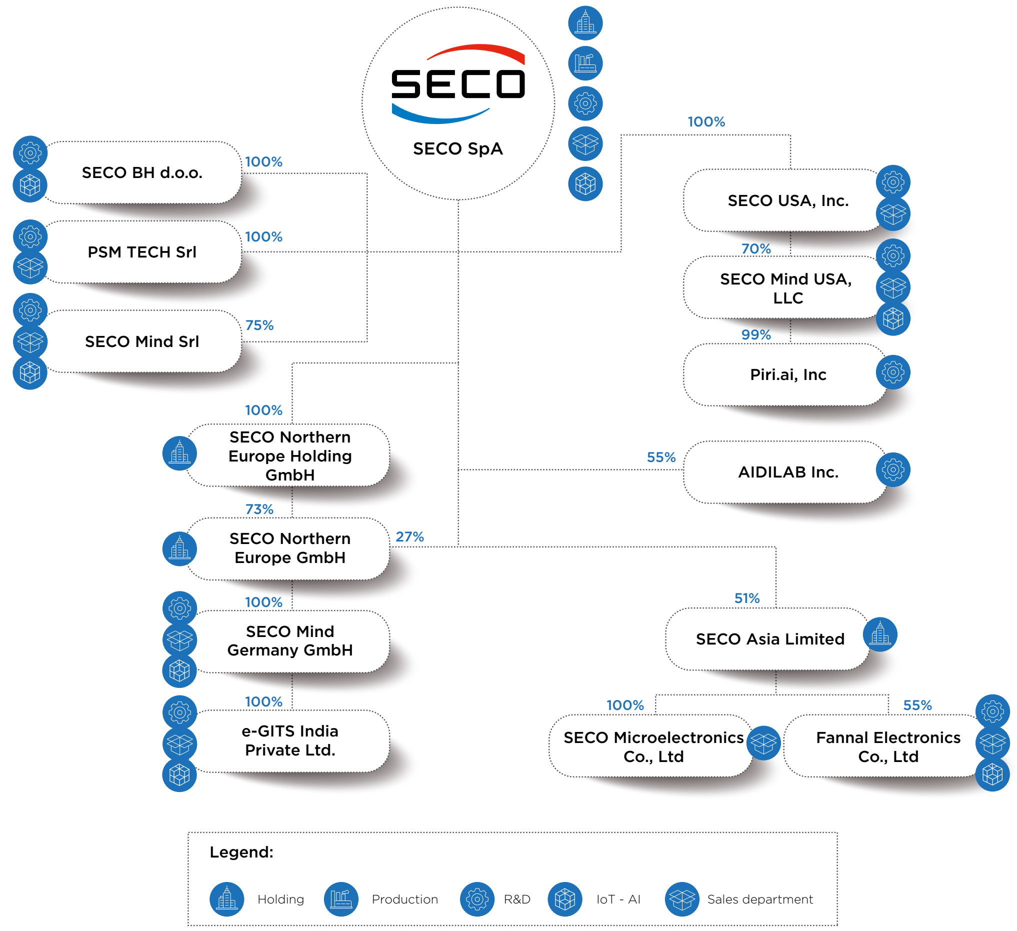
Deloitte & Touche S.p.A.

Office held until the approval of the 2029 annual accounts

1 | Co-opted by the Board of Directors on December 22, 2022, to replace Giovanna Mariani, who passed away on November 4, 2022. This director will remain in office until the next meeting of shareholders called to confirm the appointment until the end of the term of the full board.

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.

1| Directors' Report

1.1| 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.

In our post-pandemic climate, this trend has significantly accelerated, with digitalization spreading 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.

1.2| Operational overview

In 2022, SECO revenues posted organic growth of more than 40% on 2021, once again confirming the robust process of expansion that the Group has undertaken and further accelerating compared the growth rates of previous years. This performance is the result of significant growth coming from both new and existing customers thanks to the ongoing development throughout the year of new edge-computing products and new features for

CLEA, our proprietary IoT-AI platform. Launched in February 2021, the CLEA business, in particular, provided 9% of total revenues from sales in 2022. CLEA is a key linchpin in the strategy we have undertaken at SECO with the goal of increasing the value created for our customers by offering a growing range of end-to-end, integrated, customizable solutions based on micro-computing, human-machine interfaces, software platforms, and artificial intelligence.

Along this strategic line of action, we are committed at SECO to further strengthen our presence and position in the IoT and AI market through a number of major agreements to add weight to our commercial offerings and technology.

In March 2022, 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 to enable "smart" management of road and hospital infrastructure using a range of high added-value applications and functionalities. CLEA's AI capabilities were utilized in partnership with Pizzarotti to construct the Pizzarotti Monitoring System (PMS) platform for the monitoring and administration of excavations, infrastructure, and smart buildings. The platform enables the application of artificial intelligence and machine learning models to construction site data streams, utilizing geotechnical and engineering techniques to assist construction personnel in managing excavations. This enables the optimization of the entire building or infrastructure project by automating procedures, decreasing costs, and monitoring risk factors to improve the safety of operations.

Also in March 2022, SECO and Exein S.p.A., a leading embedded-security company with headquarters in Rome and San Francisco, which has developed the first security ecosystem for the development and management of IoT devices, entered into a partnership aimed at providing SECO customers, by way of CLEA, a number of the edge-AI functions developed by Exein. These solutions are capable of detecting cyber threats by promptly defining corrective actions to be taken without compromising the operability of field-based devices.

In late April 2022, 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. Please refer to subsequent sections for the reasoning underlying this transaction.

An industrial partnership between SECO and Libelium Comunicaciones Distribuidas S.L. was announced in September 2022. It seeks to integrate SECO's innovative sensors and boost the scale of data that can be analysed by CLEA, particularly for smart-city and smart-infrastructure applications. In fact, the monitoring sensors are essential components for enabling devices to connect with their surroundings, collecting the various types of data that, with the help of CLEA, can be processed in real time to provide decision-supporting KPIs in a variety of fields, infrastructure monitoring, environmental, and agrifood. In line with the strategy described above, the agreement with Libelium aims to add another level to the SECO value chain with a view to providing increasingly complete solutions that can help our customers extract data from the field and process those data in real time.

1.3| Research and Development and Technological Innovation

Also in 2022, SECO made a 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 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. For this reason, SECO every year dedicates significant resources to research and development, with 6% of revenues in fact allocated to this area in 2022. With 10 design centers in 9 countries across the world, approx. one-third of SECO personnel are employed 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 130 SECO personnel are exclusively focused on developing Artificial Intelligence and 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 worldwide.

1.4| Expanded production capacity

For SECO, having ample, in-house production capacity at 5 production facilities around the world (i.e. 2 in Italy, 2 in Germany and 1 in China) gives us the flexibility and reliability we need to ensure high standards of process and product quality and has, in a landscape of component shortages as we have seen in 2022, enabled us to maintain continuity in deliveries to our customers.

The Group also has a number of select, certified outsourcers for certain aspects of the production of electronic boards. This was undertaken to maintain high levels of efficiency and flexibility, optimizing in-house production flows and mix, while continuing to directly control all phases of production with greater value for the end customer.

System integration and the production of electronic boards are conducted at our facilities in Arezzo and Tregozzano, Italy, and in Hamburg and Wuppertal, Germany. The production and assembly of touch displays is done by Fannal, a subsidiary of the Group based in Hangzhou, China. Operations are structured so as to ensure the highest levels of innovation and energy efficiency, applying lean production principles, continuous improvement actions, and industrial machinery and industrial equipment (e.g. 3D printers, three-dimensional X-ray inspection machines, clean room, and anechoic chamber), to automate processes, cut average production times, and raise product quality and the level of service offered to customers.

1.5| Significant events

In July 2022, SECO and Camozzi Digital successfully closed the operation, as announced on April 29, 2022, involving Camozzi Digital's transfer of a business unit including certain of its employees (those working on the development of AI algorithms and applications) and intellectual property. The total value of the operation was Euro 50 million and was settled by issuing 7,971,583 new shares, equivalent to 6.73% of SECO's share capital post-capital increase, to Camozzi Digital. Following this transaction, the Camozzi Group became 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. The rationale of the transaction is for the integration of these capabilities into CLEA, significantly reducing the time-to-market of SECO's IIoT solutions for Smart Factories and OEMs. Specifically, SECO's commercial offer is enriched by two SaaS solutions for the industrial sector. 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.

The partnership has also produced a long-term agreement that calls for the purchase, by the companies of the Camozzi Group, of solutions developed by SECO based on edge computing and CLEA.

During the year 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 involved 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 merger permitted SECO to 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 the area, now united as a single legal entity. The merger was effective from July 1, 2022, with accounting effects backdated to January 1, 2022.

1.6| Operating Performance

December 31, 2022 vs December 31, 2021

Revenues rose in 2022 by 78.91% on the previous year (from Euro 112,293 thousand to Euro 200,906 thousand).

Other revenues and income rose from Euro 4,045 thousand in 2021 to Euro 4,371 thousand in 2022, an increase of Euro 326 thousand (+8.06%). This increase is related mainly to the combined effect of (i) the recognition in 2022 of the operating grant related to the tax credit for research and development, totaling Euro 1,437 thousand (Euro 1,845 thousand in 2021); (ii) the recognition in 2022 of the capital grant with regards to the tax credit for Industry 4.0 of Euro 654 thousand (Euro 201 in 2021) and (iii) the increase in other revenues and income of Euro 1,553 thousand (Euro 1,365 thousand in 2022) which mainly concerns recharges to customers and suppliers.

Service costs increased Euro 5,603 thousand (+44%), from Euro 12,757 thousand in 2021 to Euro 18,360 thousand in 2022, mainly as a combined effect of: (i) increase in administrative costs and utilities of Euro 1,925 thousand, (ii) outsourcing costs of Euro 1,371 thousand (iii) transport expenses of Euro 616 thousand relating to the higher business volumes, and (iv) the increase in hire and operating lease costs for Euro 906 thousand.

Personnel costs increased from Euro 23,466 thousand in 2021 to Euro 34,882 thousand in 2022, an increase of Euro 11,416 thousand (+49%), mainly due to the greater average workforce (increasing from 593 in 2021 to 835 in 2022), due mainly to (i) the ongoing process of hiring qualified personnel for research and development projects, in addition to the selection of new managers for a range of Group functional areas.

Amortization and depreciation increased from Euro 9,151 thousand in 2021 to Euro 18,653 thousand in 2022, increasing Euro 9,502 thousand (+104%). This increase is due to (i) capex in 2022, mainly for the purchase of new plant and machinery and other investments in developing new technologies and products, (ii) the cumulative effect of capex in previous years.

The doubtful debt provision and provision for risks went from Euro 56 thousand in 2021 to Euro 54 thousand in 2022, maintaining a constant pace.

Other operating costs went from Euro 2,181 thousand in 2021 to Euro 5,116 thousand in 2022, overall increasing by Euro 2,935 thousand (+135%), mainly due to: (i) an increase of Euro 285 thousand in directors' remuneration and other charges; (ii) an increase of Euro 2,654 thousand in other operating costs, mainly attributable to the subsidiary SECO Northern Europe.

Financial management, including the effect of financial income, financial charges and exchange gains/(losses), reports a net charge of Euro 4,556 thousand for 2022, increasing Euro 2,599 thousand on 2021, mainly due to the financial charges deriving from the Group's commitments to the lending banks.

As a result of that outlined above, the net profit rose 124% on 2021, from Euro 6,500 thousand in 2021 to Euro 14,570 thousand in 2022.

1.7| Balance Sheet Overview

Reference should be made to the balance sheet in this regard. The main changes at December 31, 2022 were as follows.

December 31, 2022 vs December 31, 2021

Non-current assets went from Euro 236,430 thousand at December 31, 2021, to Euro 314,985 thousand at December 31, 2022, increasing Euro 78,555 thousand, mainly due to: (i) the increase in goodwill of Euro 17,024 thousand, mainly due to the transfer of the business unit by Camozzi Digital; (ii) the increase in intangible assets for Euro 45,678 thousand, mainly as a combined effect of investment and the development of new technologies and products, net of the relative amortization for Euro 13,340 thousand; and (iii) the increase in non-current financial assets for Euro 15,630 thousand attributable mainly to the positive mark-to-market value of the Group's derivative contracts.

Current assets increased from Euro 167,070 thousand at December 31, 2021 to Euro 180,243 thousand at December 31, 2022, increasing Euro 13,173 thousand. In particular, the main changes concerned: (i) "Inventories", rising Euro 21,592 thousand on 2021, mainly due to the increase in procurement to support the Group's growing business volumes; (ii) "Trade receivables", increasing Euro 12,537 thousand on the previous year; (iii) "Cash and cash equivalents", decreasing Euro 19,238 thousand.

Total non-current liabilities increased from Euro 161,482 thousand at December 31, 2021 to Euro 165,438 thousand at December 31, 2022, an increase of Euro 3,956 thousand. The main changes concerned: (i) the increase of Euro 13,881 thousand in deferred tax liabilities, mainly related to deferred taxation resulting from the transfer of the business unit by Camozzi Digital and the effect of deferred taxes on the value of the derivative instruments of SECO S.p.A.; and (ii) the decrease of Euro 8,869 thousand in non-current financial payables due to repayments made.

Current assets increased from Euro 79,015 thousand at December 31, 2021 to Euro 93,236 thousand at December 31, 2022, increasing Euro 14,222 thousand. This mainly followed: (i) the increase for Euro 4,061 thousand in trade payables due to the increase in business volumes in 2022; (ii) the increase for Euro 10,174 thousand 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 December 31, 2022.

1.8| Financial Information

The Group's cash flow statement is illustrated below:

(in Euro thousands)	2022	2021
Cash and cash equivalents at the start of the year	**58,825**	**23,678**
Cash flow from operating activities (A)	6,762	13,613
Net cash (used in)/from investing activities (B)	(18,424)	(143,809)
Cash flows from financing activities (C) (*)	(7,064)	164,720
Net change in cash and cash equivalents (A + B + C)	**(18,726)**	**34,524**
Conversion differences	(512)	623
Cash and cash equivalents at the end of the year	**39,586**	**58,825**

(*) In November 2022, the Group consolidated a number of outstanding loans for a total of Euro 13 million, aligning structure and due dates with the Group's primary medium to long-term loan obtained in November 2021 to acquire the Garz & Fricke Group.

December 31, 2022 vs December 31, 2021

At December 31, 2022, operating activities generated cash of Euro 6,762 thousand, decreasing from the previous year by Euro 6,851 thousand. This increase is mainly due to the combined effect of the following factors: (i) increase in cash flows before net working capital changes for Euro 20,635 thousand, (ii) increase in liquidity relating to the decrease in trade receivables for Euro 2,595 thousand, (iii) absorption of liquidity with regards to the increase in inventories for Euro 5,647 thousand, (iv) decrease in tax payables and receivables for Euro 5,774 thousand, (v) absorption of liquidity with regards to the decrease in trade payables for Euro 16,507 thousand.

Investing activities absorbed cash of Euro 18,424 thousand, decreasing from the previous year by Euro 125,385 thousand due mainly to the mergers and acquisitions that the Group conducted during the previous year.

Financing activities absorbed cash of Euro 7,064 thousand, decreasing from the previous year by Euro 171,784 thousand. During the current year, the Group has not obtained new financing and has absorbed cash mainly by repaying outstanding loans and purchasing treasury shares.

As a result of that outlined above, cash and cash equivalents at December 31, 2022 decreased by Euro 19,239 thousand compared to December 31, 2021, respectively decreasing from Euro 58,825 thousand to Euro 39,586 thousand.

1.9| Alternative 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").

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

(in Euro thousands)	2022	2021	Change	Change %
EBITDA	40,668	18,065	22,603	125.12%
Adjusted EBITDA	44,017	25,294	18,723	74.02%
Net financial debt	(128,803)	(109,473)	(19,330)	17.66%
Adjusted net financial debt	(118,842)	(97,530)	(21,312)	21.85%

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)	31/12/2022	31/12/2021	Change	Change %
Total revenues and operating income	205,277	116,338	88,939	76.45%
Costs for services, goods and other operating costs*	(129,727)	(74,807)	(54,920)	73.42%
Personnel costs	(34,882)	(23,466)	(11,416)	48.65%
EBITDA	**40,668**	**18,065**	**22,603**	**125.12%**

(*) 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 22,603 thousand, +125.12%) is due to the increase in sales revenue, which led to a higher first margin (Euro 41,223 thousand, +77.6%), and the exploitation of operating leverage on other operating costs and on personnel costs, which grew more slowly than revenues, thereby improving as a ratio to sales by 3% and 4%, respectively, compared to the previous year.

***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, extraordinary/non-recurring expenses.

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)	31/12/2022	31/12/2021	Change	Change %
EBITDA	**40,668**	**18,065**	**22,603**	**125.12%**
Exchange gains/(losses)	(395)	611	(1,006)	-164.67%
Income/charges from non-core business activities	3,677	5,911	(2,234)	-37.80%
Non-recurring income/charges from core business activities	67	707	(640)	-90.52%
***Adjusted* EBITDA**	**44,017**	**25,294**	**18,723**	**74.02%**

The Group reports 2022 Adjusted EBITDA of Euro 44,017 thousand, increasing 74.02% on 2021.

The income/charges from non-core business activities of Euro 3,677 thousand is principally the result of Euro 1,562 thousand (Euro 2,344 thousand in 2021) of costs related to corporate transactions and Euro 2,115 thousand (Euro 2,807 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 67 thousand concerns for Euro 10 thousand settlement charges for the closure of a receivable with a Group customer, Euro 32 thousand for losses on disposals and Euro 25 thousand of costs related to the ongoing health emergency (Euro 82 thousand in 2021).

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

The following pages present a breakdown of the net financial debt at December 31, 2022, compared to December 31, 2021, 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 December 31, 2022, the Group net financial debt was Euro 128,803 thousand, compared to Euro 109,473 thousand at December 31, 2021.

(in Euro thousands)	31/12/2022	31/12/2021	Variazione	Variazione%
A. Cash	15	21	(5)	-25.97%
B. Cash equivalents	39,570	58,804	(19,234)	-32.71%
C. Other current financial assets	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	**39,586**	**58,825**	**(19,238)**	**-32.70%**
E. Current financial debt	(23,394)	(13,053)	(10,341)	79.22%
F. Current portion of the non-current debt	(9,705)	(10,197)	492	-4.83%
G. Current financial debt (E)+(F)	**(33,099)**	**(23,251)**	**(9,849)**	**42.36%**
H. Net current financial debt (G) + (D)	**6,487**	**35,574**	**(29,087)**	**-81.76%**
I. Non-current financial debt	(135,290)	(145,047)	9,757	-6.73%
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)	**(135,290)**	**(145,047)**	**9,757**	**-6.73%**
M. Total financial debt (H) + (L)	**(128,803)**	**(109,473)**	**(19,330)**	**17.66%**

Total net financial debt rose Euro 19,330 thousand on December 31, 2021, due entirely to the increase in inventory related to the need to increase inventory in view of the delays in the supply of components in order to continue meeting the needs of the Group's customers in a timely manner.

It is also noted that:

- The Group did not take on new sources of long-term financing;
- at December 31, 2022, the Mark to Market of derivatives was a positive Euro 15,666 thousand, compared to a negative Euro 728 thousand at December 31, 2021. 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 where liabilities.

(in Euro thousands)	31/12/2022	31/12/2021	Change	Change %
Net financial position/(debt)	**(128,803)**	**(109,473)**	**(19,330)**	**17.66%**
(+) VAT receivables	2,166	2,699	(533)	-19.76%
(-) Current lease liabilities	(1,719)	(1,552)	(166)	10.72%
(-) Non-current lease liabilities	(6,077)	(6,964)	887	-12.74%
(-) Derivative financial instruments	0	(728)	728	-100.00%
Adjusted net financial debt	**(118,842)**	**(97,530)**	**(21,312)**	**21.85%**

(*) at December 31, 2022, the Mark to Market of derivatives was a positive Euro 15,666 thousand, compared to a negative Euro 728 thousand at December 31, 2021. 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.

The Adjusted net financial debt was Euro 118,842 thousand at December 31, 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 December 31, 2022 compared to the previous year.

1.10| Risks and uncertainties

The main risk factors are examined in the Risk Management Policies section of the Explanatory Notes, to which reference should be made for further details. This section outlines the risk related to the general economic environment.

Along with the progressive containment of the pandemic, we have seen a generalize recovery driven, in part, by those sectors that had suffered the most under the restrictions put in place in response to the health emergency (especially Vending, Entertainment, and Fitness).

As a result of the shortage in electronic components, such as computer chips and memory, that we had already experienced in 2021 throughout the supply chain, we have seen an increase in average delivery times for these components. Signs of improvement in this situation began to be seen in the second half of the year.

At the same time, in 2022, the supply chain for a number of components, such as computer chips and memory used in the production of embedded and digital devices, has slowed, resulting in a significant increase in average delivery times for these components. Consequently, a persistent global difficulty has emerged in the sourcing of a number of these components due to their scarcity.

Within this climate, the Group has not experienced interruptions in production, and operations have not been significantly impacted. During the year, significant investment in inventories was made in order to increase inventories of critical components with long delivery times, so as to ensure continuity in deliveries to customers. At the same time, we completed the redesign of around 20 existing products, which called for the replacement of components that are more difficult to procure for equivalent components that are more readily available. As a result of these actions, along with in-house production management and direct negotiations with the primary silicon makers and distributors, these market dynamics did not result in the cancellation of orders, with only slight delays in the shipment of some deliveries, originally scheduled for 2022 and completed in the initial weeks of 2023.

Finally, there is continued uncertainty for many economic activities and high volatility in financial markets globally due to the ongoing events between Russia and Ukraine. The geopolitical instability brought about by the war has had major macroeconomic repercussions, most prevalently in, but not limited to, continental Europe. The energy crisis, inflation, and fears of a recession are the main factors that call for continued careful monitoring.

The development of these issues globally is outside of the Group's control and the impacts on the financial markets and economic activity may not be forecast on a worldwide basis.

In 2022, the Group has interrupted all relations with Russia in full compliance with the sanctions imposed by the European Union. The interruption in trade relations with Russia has not had a significant impact, and we do not believe that this suspension will have a significant impact on the Group's future sales performance, given the negligible percentage of sales coming from that market. In 2021, business volumes with customers based in Russia totaled Euro 1,830 thousand and just Euro 81 thousand with customers in Ukraine, accounting for just 2% of total revenues.

1.11| SECO on the stock exchange

In May 2021, the Group successfully completed the procedure for the listing of its shares on the Euronext STAR market, organized and managed by Borsa Italiana S.p.A.. The listing has enabled the company to raise approximately Euro 100 million in share capital increases, which will allow the company to finalize acquisitions and accelerate its expansion, thus increasing the Group's international presence and technology solutions portfolio.

In July 2022, within the scope of the partnership agreement with Camozzi Digital, we issued 7,971,583 new shares, equivalent to 6.73% of SECO's share capital post-capital increase, to Camozzi Digital. Following this transaction, the Camozzi Group became a major shareholder for SECO for the long term.

The first day of trading took place on May 5, 2021 with an initial offer price set at Euro 3.7 per share. At December 31, 2022, the share price was Euro 5.35 per share and corresponding to a capitalization of approximately Euro 635 million.

1.12| Outlook

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.

In addition, SECO's significant presence in industries with less exposure to economic cycles and systemic shocks (e.g., Medical, Transportation) has been a driver of SECO's organic growth, with revenues in 2022 growing more than 70% overall over 2021, of which 40% organic.

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 2023, all point to further strong Group organic growth in the current year.

More specifically, significant benefits are expected to come from the further expansion of the CLEA business, given the growing interest current and potential customers are showing in this solution. The analysis of data through artificial intelligence algorithms replaces high-value KPIs, 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.

Aware of the urgency to take action in relation to climate change, SECO has defined a number of measures to identify potential risks related to environmental phenomena and take long-term action along our path to sustainability.

Among the initiatives already undertaken to mitigate the impact of emissions, we highlight, among others, in addition to the use of renewable sources and the installation of photovoltaic panels, the modernization of the company fleet with the gradual replacement of cars in favor of hybrid models. In addition, increasingly aware that environmental impacts are generated throughout the life cycle of the product/service, SECO has begun to analyze the processes of product and service development concerning the evaluation of inflows (e.g. the use of energy and material and resource intake and processing) and outflows (e.g. heat and energy production and waste) in order to assess the potential effects of these activities on the environment.

For more information, see the 2022 Consolidated Non-Financial Statement, section 2.3 – Materiality analysis and risk assessment.

SECO has also adopted an integrated Quality Management System prepared in accordance with the leading international standards and with the framework of certifications that the Group companies possess. This includes ISO 14001:2015 environmental certification, which all of the Group's production facilities possess.

Finally, in December 2022, in response to requests by a number of internal and external stakeholders, the Board of Directors of SECO S.p.A. approved a series of long-term actions encompassing all three areas of sustainability (i.e. environmental, social and governance). With regard to combating climate change, in addition to actions recently taken to mitigate the impact of emissions from our operations, these actions include the launch of a project to measure SECO's carbon footprint, which starts with a full mapping of the direct and indirect emissions of SECO activities and represents a potential starting point in our efforts to reduce and/or offset those emissions. Within this context, we have conducted an assessment of risks and of the potential impacts of climate change. Conducted at the Group level, this assessment did not point to significant risk factors in the Group's ability to achieve the strategic objectives of the business plan due to potential changes in the external landscape. Although specific targets have yet to be set, the Group has identified certain actions and assessed the potential impact on our financial statements, as described in greater detail in the explanatory notes.

For more information, see the 2022 Consolidated Non-Financial Statement, section 2.4 – Our sustainability pillars.

While the marketplace is complicated by a challenging general economic environment and continues to be impacted by the protracted component shortage (although we are seeing a gradual improvement in delivery times), the factors outlined above, combined with the Group's strategic positioning, order backlog, the order intake in the first half of the year, and the amount of ongoing negotiations, create confidence as to the continuation of significant growth in SECO's business for 2023.

2| Consolidated balance sheet and consolidated income statement at December 31, 2022

2.1| Consolidated balance sheet

(in Euro thousands)	Notes	31/12/2022	31/12/2021
Property, plants and equipments	1	17,095	16,797
Intangible assets	2	102,044	56,367
Right-of-Use	3	8,986	9,895
Goodwill	4	165,508	148,484
Non-current financial assets	5	17,431	1,801
Deferred tax assets	6	2,516	2,252
Other non-current assets	7	1,406	834
Total non-current assets		**314,985**	**236,430**
Inventories	8	83,277	61,685
Trade receivables	9	49,233	36,696
Current tax assets	10	4,696	6,373
Other receivables	11	3,450	3,491
Cash and cash equivalents	12	39,586	58,825
Total current assets		**180,243**	**167,070**
TOTAL ASSETS		**495,228**	**403,500**
Share capital		1,154	1,074
Share premium reserve		168,543	118,981
Reserves		35,043	21,192
Group Net Profit		11,039	4,149
Total Group Equity		**215,779**	**145,396**
Minorities equity and reserves		17,244	15,256
Minorities profit for the year		3,530	2,351
Total Minorities Equity		**20,774**	**17,607**
Total equity	13	**236,553**	**163,003**
Employee benefits	14	2,827	3,065
Provisions	15	1,402	729
Deferred tax liabilities	16	25,911	12,029
Non-current financial payables	17	129,213	138,083
Non-current lease liabilities	18	6,077	6,964
Other non-current liabilities	19	8	612
Total non-current liabilities		**165,438**	**161,482**
Current financial liabilities	20	21,675	11,501
Current portion of non-current financial liabilities	21	9,705	10,197
Current lease liabilities	22	1,719	1,552
Trade payables	23	44,009	39,949
Other payables	24	12,257	12,294
Current tax liabilities	25	3,871	3,522
Total current liabilities		**93,236**	**79,015**
TOTAL EQUITY AND LIABILITIES		**495,228**	**403,500**

EMARKET SDIR CERTIFIED

2.2| Consolidated income statement

(in Euro thousands)	Notes	31/12/2022	31/12/2021
Net sales	*26*	200,906	112,293
Other revenues and income	*27*	4,371	4,045
Raw materials, ancillaries, consumables and goods		(128,982)	(71,820)
Change in inventories	*28*	22,390	12,618
Service costs	*29*	(18,360)	(12,757)
Personnel costs	*30*	(34,882)	(23,466)
Amortization & Depreciation	*31*	(18,653)	(9,151)
Doubtful debt provision and provision for risks	*32*	(54)	(56)
Other operating costs	*33*	(5,116)	(2,181)
Operating profit		**21,620**	**9,525**
Financial income		315	51
Financial charges	*34*	(5,266)	(1,397)
Exchange gains/(losses)		395	(611)
Profit before tax		**17,064**	**7,568**
Income taxes	*35*	(2,494)	(1,068)
Profit for the year		**14,570**	**6,500**
Non-controlling interests profit		3,530	2,351
Group profit		**11,039**	**4,149**
Basic earnings per share	*36*	0.10	0.06
Diluted earnings per share	*37*	0.09	0.06

2.3| Consolidated comprehensive income statement

(in Euro thousands)	Notes	31/12/2022	31/12/2021
Profit for the year		**14,570**	**6,500**
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:		**12,409**	**748**
Translation differences		(50)	1,510
Net gain/(loss) on Cash Flow Hedge		**12,458**	**(762)**
Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:		375	(61)
Discounting employee benefits		522	(73)
Tax effect discounting employee benefits		**(148)**	**12**
Total comprehensive income	**38**	**12,783**	**687**
Non-controlling interests		3,407	3,122
Parent company shareholders		**23,947**	**4,066**
Total comprehensive income		**27,353**	**7,188**

2.4| Consolidated cash flow statement

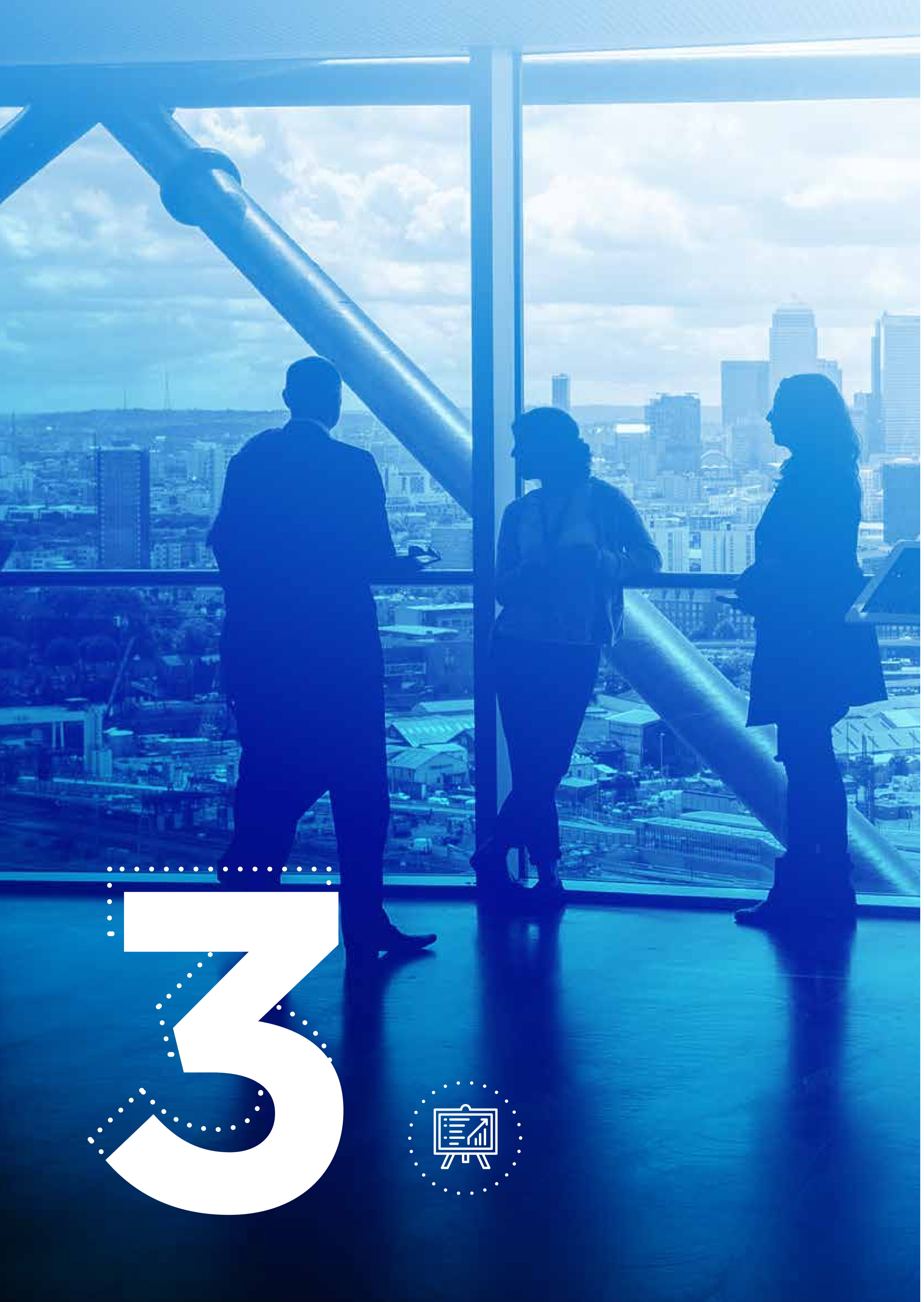
(in Euro thousands)	31/12/2022	31/12/2021
Profit for the year	**14,570**	**6,500**
Income taxes	2,494	1,068
Amortization & Depreciation	18,653	9,151
Provisions for risks, receivables and inventories	0	0
Change in employee benefits	137	31
Financial income/(charges)	4,951	1,347
Exchange gains/(losses)	(395)	611
Costs for share-based payments	2,115	3,182
Cash flow before working capital changes	**42,525**	**21,890**
Change in trade receivables	(12,817)	(15,412)
Change in inventories	(21,592)	(15,945)
Change in trade payables	4,988	21,495
Other changes in tax receivables and payables	(354)	5,420
Other changes in current receivables and payables	372	(1,524)
Other changes in non-current receivables and payables	(2,624)	(381)
Use of provisions for risks, receivables and inventories	673	0
Interest collected	315	51
Interest paid	(4,331)	(936)
Exchange gains/(losses) realized	(280)	559
Income taxes paid	(113)	(1,604)
Cash flow from operating activities (A)	**6,762**	**13,613**
(Investments) /Disposals of property, plant and equipment	(3,976)	(2,046)
(Investments) /Disposals of intangible assets	(14,295)	(11,607)
(Investments) /Disposals of financial assets	(153)	(1,556)
Acquisition of business units net of cash and cash equivalents	0	(5,805)
Acquisition of subsidiaries net of cash and cash equivalents	0	(122,795)
Cash flow from investing activities (B)	**(18,424)**	**(143,809)**
New loan drawdowns(*)	0	124,300
(Repayment) of bank loans(*)	(9,362)	(43,080)
Change in current financial liabilities	10,002	815
Repayment lease liabilities	(1,418)	(752)
Dividends paid	0	0
Paid-in capital increase	(745)	87,227
Acquisition of treasury shares	(5,311)	(3,690)
Acquisition of shares from minorities	(230)	(100)
Cash flows from financing activities (C)	**(7,064)**	**164,720**
Increase (decrease) in cash and cash equivalents (A+B+C)	**(18,726)**	**34,524**
Cash & cash equivalents at beginning of the year	**58,825**	**23,678**
Conversion differences	(512)	623
Cash & cash equivalents at end of the year	**39,586**	**58,825**

(*) In November 2022, the Group consolidated a number of outstanding loans for a total of Euro 13 million, aligning structure and due dates with the Group's primary medium to long-term loan obtained in November 2021 to acquire the Garz & Fricke Group.

2.5| Consolidated Statement of Changes in Equity

(in Euro thousands)	01/01/2022	Share capital increase	Allocation result	Other movements	Acquisition/ incorporation of consolidated companies	Comprehensive Profit/(Loss)	31/12/2022
Share capital	1,074	80	0	0	0	0	1,154
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	118,981	0	0	49,562	0	0	168,543
Other reserves	20,963	0	4,149	(3,206)	0	12,458	34,365
Translation reserve	457	0	0	0	0	88	545
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	(146)	0	0	0	0	361	215
Group Net Profit	4,149	0	(4,149)	0	0	11,039	11,039
Group Equity	**145,396**	**80**	**0**	**46,356**	**0**	**23,946**	**215,779**
Non-controlling interests capital and reserves	15,277	0	2,351	(240)	0	(138)	17,250
Discounting of employee benefits (non-cont. interests)	(21)	0	0	0	0	14	(7)
Non-controlling interests profit	2,351	0	(2,351)	0	0	3,530	3,530
Total Minorities Equity	**17,607**	**0**	**0**	**(240)**	**0**	**3,406**	**20,774**
Total Equity	**163,003**	**80**	**0**	**46,116**	**0**	**27,353**	**236,553**

(in Euro thousands)	01/01/2021	Share capital increase	Allocation result	Other movements	Acquisition/ incorporation of consolidated companies	Comprehensive Profit/(Loss)	31/12/2021
Share capital	776	298	0	0	0	0	1,074
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	14,781	101,930	0	2,270	0	0	118,981
Other reserves	24,850	0	4,038	(2,754)	(4,410)	(761)	20,963
Translation reserve	(432)	0	0	170	0	719	457
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	(105)	0	0	0	0	(41)	(146)
Group Net Profit	4,038	0	(4,038)	0	0	4,149	4,149
Group equity	**43,826**	**102,228**	**0**	**(314)**	**(4,410)**	**4,066**	**145,396**
Non-controlling interests capital and reserves	5,701	0	1,438	(309)	7,656	791	15,277
Discounting of employee benefits (non-cont. interests)	(1)	0	0	0	0	(20)	(21)
Non-controlling interests profit	1,438	0	(1,438)	0	0	2,351	2,351
Total Minorities Equity	**7,138**	**0**	**0**	**(309)**	**7,656**	**3,122**	**17,607**
Total Equity	**50,964**	**102,228**	**0**	**(623)**	**3,246**	**7,188**	**163,003**



3| Explanatory notes to the consolidated financial statements at December 31, 2022

The publication of the consolidated financial statements as at December 31, 2022 was approved by the Board of Directors on March 21, 2023.

3.1| Accounting policies

Content and form of the Financial Statements

The consolidated financial statements for the year ended December 31, 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").

The accounting policies and principles applied in the preparation of the 2022 consolidated financial statements 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 consolidated financial statements at December 31, 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 consolidated financial statements at December 31, 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 consolidated financial statements at December 31, 2022 were audited by Deloitte & Touche S.p.A. (appointed by the Shareholders' Meeting of March 1, 2021).

Consolidation principles and consolidation scope

The consolidated 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 1,153,965.12;
- 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 Mind S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, share capital Euro 61,200.00.
- 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;
- 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 BH d.o.o, with registered office in Tuzla, Bosnia & Herzegovina, share capital Euro 20.000,00;
- SECO Northern Europe Holding GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 25,000.00;
- SECO Northern Europe GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 102,661.00;
- 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 undertakings and minor companies in which the interest held is less than 20% and which constitute non-current financial assets are valued on the basis described in the paragraph below entitled "Recognition, classification and valuation criteria".

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 31/12/2022	Average January-December 2022	Exchange rate at 31/12/2021	Average January-December 2021
US Dollar (USD)	1.0666	1.0530	1.1326	1.1827
Chinese Renminbi (CNY)	7.3582	7.0788	7.1947	7.6282
Indian Rupee (INR)	88.1710	82.6864	84.2292	-
Convertible mark	1.9558	1.9558	-	-

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 income statement.
- ***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 accounting standards, amendments and interpretations approved by the EU, not yet mandatory and not adopted in advance by the Group at December 31, 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 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 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.

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.

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***" and on October 31, 2022 published an amendment entitled "***Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants***". The purpose of the documents is to clarify how to classify payables and other short or long-term liabilities. These amendments shall enter into force on January 1, 2024 and early application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

On September 22, 2022, the IASB published an amendment entitled "***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback***". The document requires the seller-lessee to measure the lease liability arising from a sale & leaseback transaction so as not to recognize income or losses relating to the retained right of use. The amendments will be applicable from January 1, 2024, although advance application is permitted. 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 Company/Group is a first-time adopter, this standard is not applicable.

Financial Statement format

The financial statements of the SECO Group are presented as follows:

- the Balance Sheet reports assets and liabilities analyzed by maturity, separating current and non-current accounts as due within and beyond 12 months;
- the Income Statement, in view of the specific activity carried out, is presented with the individual items analyzed by nature;
- the Comprehensive Income Statement shows the components of net income suspended in equity and is presented as a separate statement and is presented in accordance with the revised version of IAS 1. The items presented in Other Comprehensive Income are grouped based on whether or not they can be reclassified to profit or loss subsequently;
- the Statement of Changes in Equity shows changes in capital, reserves and net profit for the period;
- the Consolidated Cash Flow Statement was prepared reporting financial cash flows according to the "indirect method", as permitted by IAS 7. In order to provide a clearer picture of cash flows, certain changes were made with respect to the format adopted in the previous year, reclassifying for comparative purposes the cash flows relating to the previous year.

It should be noted that, as a result of the transactions described in greater detail in the Business Combinations section, the changes in the income statement, balance sheet and cash flow for the year ended December 31, 2022 were influenced by the extended consolidation scope, as described in greater detail in the individual sections of the notes.

The functional and presentation currency of the Company is the Euro. Unless otherwise specified, amounts shown in the Notes to the Financial Statements are expressed in thousands of Euro.

Accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements at December 31, 2022 are disclosed below.

Property, plant & equipment

The Group applies the provisions of IAS 16 "Property, Plant & Equipment".

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset. If major components of such tangible fixed assets have different useful lives, such components are accounted for separately. Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Property, plant & equipment are presented net of accumulated depreciation and any losses in value, calculated as described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate. The main economic-technical rates used are those derived from the individual useful lives:

Category	Rates
Buildings	3%
Light constructions	10%
General plant	10%
Specific plant	15%
Machinery	25%
Equipment	15%
Furniture & fittings	12%
Motor vehicles	25%
Trade fairs stands	10%
Molds	25%
Other assets	20%

The depreciation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Gains and losses on disposal are determined by comparing the consideration with the net book value. The amount so determined is recorded in the income statement on an accruals basis.

Borrowing costs that are directly attributable to the acquisition, construction or production of a tangible fixed asset which requires a lengthy period before availability for use shall be capitalized as part of the cost of that asset. All other financial charges are recognized as a charge in the period in which they are incurred. Financial charges consist of interest and other costs that a Group entity incurs in connection with obtaining financing.

Intangible assets

Intangible assets purchased or constructed internally are recorded when it is probable that the use of the asset will generate future economic benefits and when its cost can be reliably calculated. Intangible assets acquired separately are initially recognized at cost, while those acquired through business combinations are recognized at fair value on the acquisition date. After initial recognition, the intangible assets are recorded at cost less accumulated amortization and any loss in value. Intangible assets internally generated, with the exception of development costs, are not capitalized and are expensed to the income statement in the year they are incurred.

An intangible asset purchased or produced internally is recognized, in accordance with IAS 38 – Intangible Assets, only if identifiable, controllable, where future economic benefits are expected and its costs can be reliably calculated.

Development costs are recognized as assets only if all of the following conditions are met: the Group is able to demonstrate:

- the technical feasibility to complete the intangible asset, so as to be available for use or sale;
- the intention to complete the asset and its capacity and intention to utilize or sell the asset;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the capacity to reliably value the cost attributable to the asset during development.

Costs that are not related to development or that do not meet the requirements identified above are recognized in the income statement when incurred.

The useful life of the intangible assets is measured as finite or indefinite. The finite intangible assets are amortized over the useful life of the asset and verified for any indications of a possible impairment. The amortization period and method applied is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or of the manner in which the future economic benefits related to the intangible assets are received by the Group are recorded amending the period and method of amortization, and treated as changes in the accounting estimates. The amortization of finite intangible assets is recorded in the income statement under the category of costs relating to intangible assets.

Category	Rates
Software, licenses and others	20%
Development costs	20%
Other intangible assets	20%

Intangible assets with indefinite useful lives (Goodwill) are tested annually for impairment at the cash-generating unit level. These assets are not amortized. Gains or losses from the disposal of an intangible asset are measured as the difference between the net disposal consideration and the carrying amount of the intangible asset and are recognized in the income statement when the asset is disposed.

Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization but are subject to an impairment test at least once a year, aimed at verifying whether their book value has reduced.

At each reporting date, the Group reviews the carrying value of its tangible, intangible and right-of-use assets to determine if there are indications that these assets have incurred a loss in value (impairment test).

Amortized assets are subjected to an impairment test if there are events or circumstances such that the carrying amount cannot be recovered (trigger event). In both cases, any impairment is recorded at the amount of the book value that exceeds the recoverable value. This latter is the higher between the fair value of the asset less costs to sell and its value in use. If it is not possible to determine the value in use of an asset individually, it is necessary to determine the recoverable value of the CGU (Cash Generating Unit) that includes the asset. The CGU is the smallest group of assets that comprises the asset being tested for impairment and generates cash inflows that are largely independent of the cash inflows from the other assets or groups of assets. The directors have identified three CGU's within the Group.

In the determination of the value in use of each CGU, the estimated future cash flows are discounted by the Group at a post-tax rate that reflects the market assessment of the present value of money and the risks specific to the asset. In the determination of the fair value net of selling costs, account is taken of recent market transactions. Where it is not possible to identify these transactions, an adequate valuation model is utilized. These calculations are made utilizing appropriate valuation multipliers, listed equity prices for publicly traded securities and other fair value indicators available.

The Group bases its impairment test on recent budgets and forecasts, approved by the Board of Directors. These budgets and forecasts generally cover a period of three years. A constant long-term growth rate is calculated to project future cash flows beyond the third year.

The losses in value of operating assets are recorded in the income statement in the category of costs relating to those assets.

The value of an asset previously written down may be restated only if there have been changes in the assumptions used to determine the recoverable value, after the last recording of a loss in value. The recovery of value cannot exceed the carrying amount which would have been calculated, net of amortization, where no such loss in value was recorded in previous years. This recovery value is recognized in the income statement.

Right-of-use

Lease agreements entered into as a lessee result in the recognition of an asset representing the right to use the leased asset and the financial liability for the obligation to make payments under the agreement. The assessment as to whether a contract contains a lease is made on the date of inception. In particular, the lease liability is initially recorded at the present value of future payments to be made, adopting a discount rate equal to the implicit interest rate of the contract or, if this cannot be easily determined, using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost using the incremental interest rate and is restated following renegotiation of contracts, changes in rates, changes in the valuation of any contractual options. The Right-of-use is initially recognized at cost and is subsequently adjusted to take account of the amortization recognized, any impairment losses and the effects of any restatement of lease liabilities.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the asset consisting of the right-of-use reflects the fact that the lessee will reasonably exercise the option to purchase, the lessee shall depreciate the asset consisting of the right-of-use from the commencement date to the end of the useful life of the underlying asset.

The Group determines the lease term as the non-cancellable period of the lease to which the periods covered by the lease extension option should be added, if there is a reasonable certainty of exercising such option.

The Group uses its judgement in assessing whether it is reasonably certain that the option will be renewed. However the Group considers all relevant factors that may result in an economic incentive to exercise renewal options or to terminate the contract. After inception, the Group reassesses the lease term where there is a significant event or significant change of circumstance within its control that may affect its ability to exercise (or not to exercise) the option to renew (for example, investments in leasehold improvements or significant specific changes on the leasehold).

The Group decided to adopt a number of simplifications, as provided for by the standard, excluding from the above treatment contracts with a duration of 12 months or less and that do not contain a purchase option (so-called "short-term", calculated on the residual duration at the time of first-time adoption or, in the event of stipulation after January 1, 2018, on the contractual duration), those with a value of less than Euro 30 thousand (so-called "low-value") and those relating to intangible assets. The Group has its own production facilities even in countries where ownership rights are not allowed. Advance rentals, paid to obtain the availability of the land on which their production facilities are located, are recorded under right-of-use. Rentals related to contracts that do not contain a lease, and those related to short-term leases and low-value assets are recognized as expenses on a straight-line basis over the term of the contract.

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.

Business combinations

Business combinations are recognized using the acquisition method. The acquisition cost is calculated as the total of the fair value at the date of acquisition and the value of any minority equity holding in the acquisition measured at fair value. For every business combination, the buyer must measure any minority holding, which remains subsequently in the business combination, at fair value or in proportion to the amount held in the identifiable net assets of the acquisition. The acquisition costs are expensed and classified under administration expenses. When the Group acquires a business, i.e., a business consisting of inputs and substantial processes applied to those inputs that are capable of contributing to the creation of output, it must classify or designate the assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant terms in place at the date of acquisition. Every potential payment is recorded by the acquirer at fair value at the acquisition date. The change in the fair value of the potential payment classified as an asset or liability will be recorded in accordance with IFRS 9, in the income statement. If the contingent consideration is classified as equity, its value does not need to be recalculated and its settlement will be accounted for against equity.

Business Combinations by the Group

On July 4, 2022, the transfer was completed by Camozzi Digital of the business unit (hereafter "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 thousand.

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.

Purchase price allocation (PPA) has been used to determine and measure the fair value of the assets transferred with the business unit by Camozzi Digital S.r.l. The calculation of the identifiable assets of the business unit was conducted on July 4, 2022, in line with the SECO Group gaining control.

Following the PPA process, we recognized the fair value of the following transferred assets using conventional measurement methods: an equity investment in the wholly owned subsidiary Camozzi Digitalne Tehnologije D.o.o. (now SECO BH D.o.o.) for Euro 67 thousand; a financial receivable for Euro 20 thousand; and intangible assets for a total value of Euro 44,787 thousand, including 2 patents (valued at Euro 7,874 thousand and Euro 2,440 thousand) and a software application (for Euro 34,474 thousand). 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, resulted in the recognition of deferred taxes on the identified assets of Euro 11,373 thousand. In conclusion, given a total value of the business unit of Euro 49,999 thousand, goodwill has been measured at Euro 16,498 thousand.

Category	(in Euro thousands)
Intangible assets	44,787
Other non-current assets	87
Total non-current assets	**44,874**
Trade receivables	
Cash	
Total current assets	**0**
TOTAL ASSETS [A]	**44,874**
TOTAL LIABILITIES [B]	**11,373**
Total fair value Assets and Liabilities [C= A-B]	33,501
Non-controlling interests equity [D]	
Consideration [E]	49,999
Goodwill recorded in accordance with IFRS 3 [E+D-C]	16,498

Financial assets

IFRS 9 provides for a single approach for the analysis and classification of all financial assets, including those contained in embedded derivatives. The classification and the relative measurement is made considering both the management model of the financial assets and the contractual characteristics of the cash flows from the asset. Depending on the characteristics of the instrument and the business model adopted for its management, a distinction is made between the following three categories: (i) financial assets valued at amortized cost; (ii) financial assets valued at fair value with recognition of the effects to other comprehensive income (also, OCI); (iii) financial assets valued at fair value with recognition of the effects to the income statement. Financial assets are valued using the amortized cost method when both of the following conditions are met: - the management model of the financial asset consists of holding it for the sole purpose of collecting the related cash flows; and - the financial asset generates, at contractually predetermined dates, cash flows that exclusively represent the return on the financial asset. Using the amortized cost method, the initial carrying amount is subsequently adjusted to take account of capital repayments, any write-downs and the amortization of the difference between the repayment value and the initial carrying amount. Amortization is carried out on the basis of the effective internal interest rate which represents the rate that makes the present value of expected cash flows and the expected initial carrying amount at the time of initial recognition. Receivables and other financial assets measured at amortized cost are shown net of the related doubtful debt provision. Financial assets represented by debt instruments whose business model provides both the possibility of collecting contractual cash flows and the possibility of realizing capital gains on disposal (so-called business model hold to collect and sell), are measured at fair value with the effects recognized to OCI. In this case, changes in the fair value of the instrument are recognized in equity, among other components of comprehensive income. The cumulative amount of changes in fair value, recognized in the equity reserve that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognized. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recorded in the income statement. A financial asset representative of a debt instrument which is not valued at amortized cost or at FVTOCI, is valued at fair value with recognition of the effects to the income statement.

The investment in CUBIT is considered a financial instrument at fair value through profit or loss (FVTPL), as it is an investment in equity instruments over which the Group does not exercise significant influence.

Receivables

In accordance with the above criteria, trade and other receivables are financial assets initially recognized at fair value and subsequently measured based on the amortized cost method, net of the doubtful debt provision. IFRS 9 defines an impairment/write-down model of these assets, with the objective to provide useful information to the readers of financial statements in relation to expected losses. According to this model, the Group assesses receivables using an expected loss approach. For trade receivables the Group adopts a simplified approach to valuation which does not require the recording of periodic changes in credit risk, but rather the estimation of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy implemented by the Group provides for the stratification of trade receivables into categories on the basis of days past due, defining the allocation based on historical experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors and the economic environment. Trade receivables are fully written down if there is no reasonable expectation of recovery, i.e. in the presence of inactive trade counterparties. The carrying amount of the asset is reduced through the use of an allowance for impairment and the amount of the loss is recognized in the income statement. When collection of the consideration is deferred beyond the normal commercial terms practiced to customers, the receivable is discounted.

In the case of factoring and, in particular, to non-recourse assignments of trade receivables, which provide for the almost total and unconditional transfer to the assignee of the risks and benefits relating to the assigned receivables, the receivables themselves are removed from the financial statements.

In the case of assignments in which risks and benefits are not transferred, the related receivables are retained in the financial statements until the assigned debtor is paid. In this case, any advances collected by the factor are recorded under payables to other lenders.

Inventories

Inventories are recorded at the lower of purchase or production cost, determined by attributing to the products the costs directly incurred plus the portion of indirect costs reasonably attributed to production under conditions of normal use of production capacity, and realizable value at the balance sheet date, represented by the amount that the company expects to obtain from their sale in the normal course of operations. The cost of raw materials and finished goods is determined by applying the weighted average purchase cost per movement, including ancillary purchase charges. The production costs of finished and semi-finished products include the direct cost of the materials and the labor, in addition to general production expenses based on the normal production capacity, but not considering financial charges.

Obsolete, slow-moving inventories and/or those in excess of normal requirements are written down through a specific provision, in relation to their possibility of use or future realization. Write-downs are restored in future years should the reason for the write-down no longer exist.

Government grants

Capital grants are recognized when there is reasonable certainty that they will be received and that the conditions will be satisfied for their attainment.

1) Operating grants

Operating grants consist of government grants and subsidies received and intended to supplement revenues. The Group accounts for these contributions on an accruals basis in accordance with IAS 20.

2) Capital grants

In the event that the grant is linked to an investment, the investment and the grant are recorded at their nominal value and the release to the income statement takes place progressively over the expected useful life of the relevant investment on a straight-line basis, reducing the initial deferred income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank and post office deposits.

Equity

Share capital

This represents the subscribed and paid-up capital of the Parent Company.

Costs related to the issuance of new shares or options are classified, if any, in equity as a decrease in the amounts arising from the issuance of such instruments.

Reserves

These comprise:

- legal reserve
- specific allocation reserve
- IAS/IFRS transition reserve, net of the tax effect
- share premium reserve
- retained earnings

Treasury shares

At December 31, 2022, 1,053,334 treasury shares were purchased; such shares are recorded as a reduction of equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognized as equity movements.

Employee benefits

The liability relating to the benefits paid to employees and directors on or after termination of employment under defined-benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, estimating the amount of future benefits that employees have accrued at the reference date (the so-called "projected unit credit method"). The liability, recorded on the balance sheet net of any plan assets, is recognized on an accrual basis over the vesting period. The liability is calculated by independent actuaries. The components of defined benefit cost are recognized as follows: - service costs are recognized in the income statement as part of personnel costs; - net finance costs on the defined benefit liability or asset are recognized in the income statement as Financial income/(expense), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking into account contribution and benefit payments that occurred during the period; - the remeasurement components of the net liability, which include actuarial gains and losses, return on assets (excluding interest income recognized in the income statement) and any change in the asset limit, are recognized immediately in Other comprehensive income (loss). These components should not be reclassified to the Income Statement in a subsequent period.

Termination benefits are recognized on the earliest of the following dates: i) when the Company can no longer withdraw its offer of such benefits, and ii) when the Company recognizes the costs of a restructuring.

Incentive plans

In line with the provisions of IFRS 2, the Group classifies medium/long-term incentive plans as "share-based payments" and requires, for those falling into the "equity-settled" category, which requires the physical delivery of the shares, the determination at the grant date of the fair value of the option rights issued and its recognition as a cost recognized on a straight-line basis over the vesting period, with a counter-entry in a specific equity reserve. This allocation is made on the basis of an estimate of the rights that will actually accrue in favor of the staff entitled to them, taking into account the conditions of use of the same not based on the market value of the rights.

At the end of the fiscal year, the equity reserve is reclassified to available reserves.

Provisions for risks

Where the Group has a legal or implicit obligation as a result of a past event and it is probable that it will incur a loss of economic benefits in order to meet that obligation, a provision is recorded. If the time factor of the expected loss of benefits is significant, the amount of future cash outflows is discounted at a pre-tax interest rate that takes into account market interest rates and the specific risk of the liability to which it relates.

No provision is made for any future operating losses. Provisions are measured at the current value of management's best estimate of expenditures to meet the current obligation as of the reporting date.

In the case of lawsuits, the amount of provisions has been determined on the basis of estimates made by the Group, together with its legal advisors, in order to determine the probability, timing and amounts involved and the probable outflow of resources. The provision made will be adjusted as the case develops. At the conclusion of the dispute, the amount that may differ from the provision set aside in the financial statements will be charged to the income statement.

The risk provisions mainly comprise the Supplementary Agents Indemnity Fund (FISC), which is allocated in relation to the termination of agency contracts at the initiative of the principal for reasons not attributable to the agent or representative. In fact, the agent or representative will be paid a supplementary agents indemnity, to be calculated on the overall amount of the commissions for which the right to payment arose in favor of the agent for the entire duration of the relationship (from the date of stipulation of the contract to the date of termination) even if the same sums have not been paid in full at the time of termination of the relationship.

Deferred tax assets and liabilities

Deferred taxes are calculated using the liability method on temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements. Deferred tax liabilities are recorded on all temporary assessable differences, with the following exceptions:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- the reversal of the temporary differences, related to investments in subsidiaries, associates and joint ventures, can be controlled and it is probable that such will not occur in the foreseeable future.

Deferred tax assets are recognized on all temporary deductible differences, credits and unused fiscal losses carried forward, to the extent of the probable existence of adequate future tax profits, that can justify the use of the temporary deductible differences, credits and fiscal loses carried forward, with the following exceptions:

- when the deferred tax assets related to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- in the case of temporary differences related to investments in subsidiaries, associates and joint ventures, the deferred tax assets are only recognized to the probable extent that the temporary differences will reverse in the foreseeable future and there are sufficient assessable amounts to utilize such temporary differences.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets. Deferred taxes are determined based on the tax rates that are expected to apply in the period in which such deferrals will be realized, considering the rates in effect and those already enacted, or substantially in effect, at the date of the financial statements. Deferred taxes are recognized directly to the income statement, with the exception of those relating to accounts directly recognized to the comprehensive income statement, in which case the deferred taxes are also recognized to the comprehensive income statement.

Financial liabilities

Financial liabilities include borrowings, current financial liabilities and financial liabilities arising from leases. Pursuant to IFRS 9, they also include trade and other payables. Financial liabilities are recorded at fair value net of transaction costs. After initial recognition, loans are recognized on the basis of amortized cost, calculated by applying the effective interest rate. A financial liability is derecognized when the underlying obligation of the liability is settled, cancelled or fulfilled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement. With the introduction of IFRS 9, in the event of renegotiation of a financial liability that does not qualify as an “settlement of the original debt”, the difference between i) the carrying amount of the liability prior to modification and ii) the present value of the cash flows of the modified debt, discounted at the original rate (IRR), is recognized in the income statement.

Amortized cost and measurement of fair value

All financial liabilities are recognized according to the amortized cost method.

Under this approach, the nominal amount of the liability is reduced by the amount of the related issue and/or signing costs plus any costs related to the refinancing of existing liabilities. These costs are amortized using the effective interest rate as the discount rate for future interest expense and repayments of principle at the net carrying amount of the financial liability.

IFRS 13 – Fair Value Measurement defines fair value as the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm’s length transaction at the measurement date. In the absence of an active and properly functioning market, fair value must be measured using valuation techniques. The standard also establishes a fair value hierarchy:

- level 1 - assets or liabilities subject to valuation listed on an active market;
- level 2 - input based on prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- level 3 - input which is not based on observable market data.

Derivative instruments and hedge accounting

The derivative instruments entered into by the Group are designed to cover exposure to the interest rate risk associated primarily with loan agreements. On the date the contract is entered into, derivative instruments are initially recognized at fair value and, if the derivative instruments are not formally designated as hedging instruments, changes in fair value recognized subsequent to initial recognition are treated as a financial component of net income for the year. If, on the other hand, the derivatives meet the requirements to be classified as hedging instruments and are formally designated as such, the subsequent changes in fair value are accounted for by following the specific criteria set out in IFRS 9 below. For each derivative financial instrument identified as a hedging instrument, its relationship to the hedged item is documented, including risk management objectives, hedging strategy, and assessment of hedge effectiveness. The effectiveness of each hedge is tested both at the time of inception of each derivative instrument and during its life. Generally, a hedge is considered to be highly "effective" if, both at its inception and during its life, changes in the fair value in the case of a fair value hedge or in the expected future cash flows in the case of a cash flow hedge of the hedged item are substantially offset by changes in the fair value of the hedging instrument. When the hedge concerns changes in the fair value of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instrument and the changes in the hedged item are recorded in the Income Statement. In the case of a hedge aimed at neutralizing the risk of changes in future cash flows deriving from the future execution of transactions that are expected to be highly probable at the reporting date (cash flow hedge), the changes in the fair value of the derivative instrument posted subsequent to initial recognition are accounted for, limited only to the effective portion, among the components of Comprehensive Income and Loss. When the economic effects arising from the hedged item become apparent, the reserve is reversed to the Income Statement among the operating components. If the hedge is not perfectly effective, the change in fair value of the hedging instrument, referring to the ineffective portion of the hedge, is immediately recorded in the income statement. If, during the life of a derivative instrument, the expected transaction for which the hedge was activated is no longer expected to take place, the part of the "reserves" item relating to this instrument is immediately reversed to the Income Statement for the year. On the other hand, if the derivative instrument is sold or no longer qualifies as an effective hedging instrument, the part of the "reserves" item representing the changes in fair value of the instrument, recorded up to that moment, is maintained as a component of Comprehensive Income and is reversed to the Income Statement in accordance with the classification criterion described above, at the same time as the economic effects of the transaction originally covered by the hedge occur. Financial assets are derecognized from the balance sheet when the right to receive the cash flows from the instrument ceases and the Company has transferred all the risks and rewards relating to the instrument and the relative control.

Revenues from sales and services

On the basis of the five-stage model introduced by IFRS 15, the Group recognizes revenues after identifying the contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the provision of each of these services, and assessing the way in which these services will be provided (provision at a specific time versus provision over time). In particular, the Group recognizes revenues only if the following requirements are met (so-called identification requirements of the "contract" with the customer):

a) the parties have approved the contract (in writing, orally or in compliance with other normal commercial practices) and have committed to fulfill the respective obligations; an agreement therefore exists between the parties which creates the applicable rights and obligations irrespective of the form with which this agreement takes;

b) the Group may identify the rights of each of the parties with respect to the goods or services to be transferred;

c) the Group can identify the payment conditions for the goods or services to be transferred;

d) the contract has commercial substance;

e) it is likely that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the client.

If the above requirements are not met, the related revenue is recognized when: (i) the Group has already transferred control of the goods and/or provided services to the customer and all, or almost all, of the consideration promised by the customer has been received and is non-refundable; or (ii) the contract has been terminated and the consideration the Group has received from the customer is non-refundable. If the above requirements are met, the Group applies the recognition rules described below. Revenues from sales are recorded when control of the asset subject to the transaction is transferred to the purchaser, or when the customer acquires full capacity to decide on the use of the asset as well as to derive substantially all the benefits, on the basis of the terms defined with the customer. Revenues from services are recognized when they are rendered with reference to the stage of completion. The Group uses an input-based method to measure the progress of services because there is a direct relationship between labor hours expended and the transfer of services to the customer.

Revenues are represented net of discounts, including, but not limited to, sales incentive programs and customer bonuses, as well as taxes directly related to the sale of goods.

The Group has been operating for over 40 years in the high-tech market, designing, developing and manufacturing cutting-edge technological solutions ranging from miniaturized computers - embedded in more complex mechanisms and products - to integrated hardware and software systems, standard or customized, for various applications, including medical, industrial automation, wellness and vending systems. Recently, in particular during fiscal year 2020, the Group has also begun to offer services and solutions for applications in the area of the so-called "Internet of Things" (IoT) and high-tech finished products under its own brand name for end users.

Costs

Costs are recognized net of returns, discounts and allowances in accordance with the accrual basis of accounting.

Costs for the purchase of goods are recorded when all risks and rewards have been transferred, which normally coincides with the shipment of the goods. Costs for services are recorded on an accrual basis based on when the services are received.

Financial income

Financial income is recognized on an accrual basis. This includes interest income on funds invested, foreign currency gains and income deriving from financial instruments, when not offset by hedging operations. Interest income is recorded in the income statement at the moment of maturity, considering the effective yield.

Financial charges

Financial charges are recognized on an accrual basis. They include interest expense on borrowings calculated using the effective interest method, foreign currency losses and losses on derivative financial instruments. The interest expense portion of finance lease payments is charged to the income statement using the effective interest method.

Income taxes

Income taxes represent the sum of current and deferred taxation. Taxes allocated in the financial statements of the individual companies included in the consolidation scope are recorded in the consolidated financial statements, based on an estimate of the taxable income determined in accordance with the national legislation in force on the reporting date of the financial statements, taking into account any applicable exemptions. Income taxes are recognized in the income statement, except for those related to items directly charged or credited to the statement of comprehensive income. These are shown under "Tax payables" net of advances and withholding taxes.

Earnings per share

1) Basic

Basic earnings per share is calculated by dividing the overall result for the period attributable to holders of ordinary shares of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

2) Diluted

Diluted earnings per share is calculated by dividing the total earnings per share for the period attributable to holders of the Parent Company's ordinary shares, excluding treasury shares, by the weighted average number of shares outstanding, adjusted to take account of the effects of all dilutive potential ordinary shares. In order to calculate the diluted earnings, the average weighted number of shares outstanding is adjusted in respect of the dilution potential of ordinary shares, while the profit or loss of the company is adjusted to take into account the effects, net of income taxes, of the conversion.

Use of estimates

The preparation of the financial statements and notes in application of IFRS requires the Directors to apply accounting principles and methods that may be based on historical experience and assumptions that depend on the circumstances in which the valuations are made.

Estimates are used to value assets subject to impairment testing, as well as to recognize provisions for doubtful accounts, inventory obsolescence, provisions for risks and employee benefits. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized to the income statement. It is highlighted that, in the current global financial and economic crisis, the assumptions made on the future trends are characterized by significant uncertainty. Therefore it cannot be excluded in the next year results differ from those estimated which could require adjustments, even significant, today obviously not foreseeable nor expected.

The principal measurement processes and key assumptions used by the Group in applying IFRS and which may have significant effects on the values recorded in the financial statements or give rise to significant adjustments to the accounting values of assets and liabilities in the year subsequent to the reporting date are summarized below.

Recoverable value of non-current assets

Non-current assets include Property, plant and equipment and intangible assets, Goodwill, Non-current financial assets and Other non-current assets. The Group periodically reviews the carrying value of the non-current assets held and utilized and of assets to be disposed of, when events and circumstances require such. For Goodwill, this analysis is carried out at least annually and wherever required by circumstances. The analysis of the recoverability of the book value of Goodwill is carried out using estimates of the cash flows expected from the use or sale of the assets and adequate discount rates to calculate the present value. The recoverable amount is measured by determining the value in use, which is based on a discounted cash flow model. Cash flows are derived from the 3-year budget and do not include restructuring activities to which the Group has not yet committed or significant future investments that will increase the results of the business included in the cash generating unit being evaluated. More specifically, the impairment testing procedure for goodwill and intangible and tangible assets described under the accounting policies "Impairment of Non-Financial Assets" entails, when estimating value in use, the use of assumptions regarding: i) the expected cash flows of the cash-generating units (CGUs) identified, in reference to the 2023-2025 business plan approved by the Board of Directors on March 9, 2023; ii) the determination of an appropriate discount rate (WACC); and iii) determination of a long-term growth rate (g).

These assumptions reflect the potential impact of the macroeconomic landscape, particularly with regard to the increase in market costs for raw materials, transport, and energy.

In addition, as described in greater detail in the Directors' Report and in the Non-Financial Statement, the Group has implemented an analysis and assessment of risks and of short, medium and long-term opportunities related to climate change and the reduction of polluting emissions. In this regard, it should be noted that the Group considered the impact on investments, on costs, and on cash flows when conducting these accounting estimates. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, in addition to the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable value for the CGU, including a sensitivity analysis, are described in detail in Note (4) Goodwill.

When the carrying amount of a non-current asset is impaired, the Company recognizes a write-down for the excess between the carrying amount of the asset and its recoverable amount through use or sale, with reference to the cash flows from the most recent business plans.

Provisions for risks

The Group accrues a liability against disputes and lawsuits in progress when it considers it probable that there will be a financial payable and when the amount of the losses arising can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the financial statements. Estimates and assumptions were made in determining the value of the provisions for contingencies, due to the uncertainty associated with these valuations, and it is possible that the estimates may need to be revised in subsequent periods.

Employee benefits

Employee benefit provisions and net financial charges are valued according to an actuarial method which requires the use of estimates and assumptions for the calculation of the net value of the obligation. The actuarial method considers parameters of a financial nature such as, for example, the rate of inflation and the growth rates of salaries, and considers the probability of occurrence of potential future events through the use of parameters of a demographic nature, such as, for example, rates relating to mortality and employee resignation or retirement. Due to the complexity of the valuation and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed on an annual basis.

The assumptions used for the valuation are detailed in paragraph (14) Employee benefits.

Doubtful debt provision

The allowance for losses reflects management's estimate of expected losses associated with the customer portfolio. The company applies the simplified approach of IFRS 9 and recognizes the expected losses on all trade receivables based on the residual duration, defining the provision based on the historical experience of the losses on receivables, adjusted to take into account specific forecast factors relating to the creditors and the economic environment (Expected Credit Loss – ECL concept). Further details on the valuation of the doubtful debt provision can be found in paragraph (9) Trade receivables. The amount of ECL's is sensitive to changes in circumstances and expected economic conditions. The Group's historical credit loss experience and forecast economic conditions might also fail to be representative of actual defaults by customers in the future.

Inventory obsolescence provision

The provision for inventory obsolescence reflects management's estimate of the Group's expected losses, determined based on past experience. Abnormal trends in market prices could be reflected in future inventory write-downs.

Value estimates

IFRS 13 defines a precise hierarchy of fair value organized on three levels, which take into account the degree of observability of the inputs used for the estimate. They determine, in fact, different levels of fair value reliability.

Inputs represent the assumptions that market participants would make in determining the relative price of the asset or liability, including assumptions about risk.

In general terms, IFRS 13 requires that valuation techniques use the highest and most reliable level of information.

Level 1 inputs are listed prices in active markets for identical assets or liabilities that the Group can access at the measurement date. A market is active if transactions take place frequently enough and in sufficient volume to provide continuous, up-to-date price information.

Level 2 inputs consist of listed prices for similar assets or liabilities in active markets, listed prices for identical or similar assets or liabilities in inactive markets, inputs other than observable listed prices for assets or liabilities (e.g., interest rates, spreads, etc…), inputs corroborated by the market through correlation processing or other means.

Level 3 inputs are those that are unobservable, for which market data are not available, and that reflect the assumptions a market participant would make in trying to assign a price to an asset or liability.

Climate change

In a regulatory landscape in which the European Union has developed a strategy aimed at more sustainable economic models in order to achieve climate neutrality by 2050, the Group has initiated a process aimed at:

- identifying and analyzing the risks and opportunities of climate change, as described in greater detail in the section "Outlook" and in the Non-Financial Statement, that could have an impact on application of accounting standards;
- estimating the potential impact on the financial statements.

Sector disclosure

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 analysed by the Board of Directors for the purposes of business management.

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Eliminations	Financial Statements
Revenues from sales	144,471	59,644	2,396	(5,606)	200,906
Other revenues and income	4,784	418	5	(835)	4,371
Costs for services, goods and other operating costs	(96,763)	(38,030)	(1,478)	6,203	(130,068)
Personnel costs	(22,408)	(11,738)	(721)	(15)	(34,882)
Amortization & Depreciation	(13,166)	(3,685)	(483)	(1,320)	(18,653)
Provisions and write-downs	(54)	0	0	0	(54)
EBIT	**16,863**	**6,610**	**(281)**	**(1,572)**	**21,620**
Financial income	2,695	34	0	(2,414)	315
Financial charges	(5,166)	(2,511)	0	2,411	(5,266)
Exchange gains/(losses)	594	(245)	23	23	395
Profit / (loss) before taxes	**14,986**	**3,888**	**(258)**	**(1,552)**	**17,064**
Income taxes	(4,014)	(1,292)	(238)	3,050	(2,494)
Profit/(loss) for the year	**10,972**	**2,597**	**(497)**	**1,498**	**14,570**

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Eliminations	Financial Statements
Total non-current assets	313,833	68,627	11,064	(78,539)	314,985
Total current assets	149,789	41,737	1,584	(12,867)	180,243
Total non-current liabilities	(150,132)	(81,971)	(0)	66,665	(165,438)
Total current liabilities	(84,047)	(21,356)	(207)	12,373	(93,236)

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:

Category	31/12/2022	31/12/2021	Change	Change %
EMEA	155,787	83,862	71,925	85.77%
of which Italy	*78,755*	*58,042*	*20,713*	*35.69%*
USA	26,929	20,801	6,129	29.46%
APAC	14,875	6,744	8,132	120.58%
Rest of the world	3,315	887	2,428	273.81%
Revenues by region	**200,906**	**112,293**	**88,613**	**78.91%**

Revenues rose from Euro 112,293 thousand in 2021 to Euro 200,906 thousand in 2022, increasing 78.91% on the previous year. This follows growth in every region in which the Group operates, along with the full consolidation of SECO Northern Europe in 2022, as opposed to just the fourth quarter in 2021.

In particular, the breakdown of revenues was as follows:

- in EMEA for an increase of Euro 71,925 thousand (+85.77%), increasing on the previous year in the following sectors: Wellness (up Euro 5,100 thousand); Vending (up Euro 24,278 thousand, Euro 16,771 thousand of which attributable to SECO Northern Europe); Industrial (up Euro 19,809 thousand, Euro 11,597 thousand of which attributable to SECO Northern Europe); Professional Kitchen Equipment (up Euro 13,340 thousand) attributable to SECO Northern Europe; and Medical (up Euro 4,881 thousand, Euro 3,106 thousand of which attributable to SECO Northern Europe);
- in the United States in the Medical sector (up Euro 1,885 thousand, Euro 475 thousand of which attributable to SECO Northern Europe) and Industrial sector (up Euro 3,413 thousand);
- in the APAC region, increasing mainly in the Industrial sector for Euro 7,553 thousand (+135%), due to the results of the subsidiary Fannal Electronics;
- in the rest of the world, revenues increased by more than 200% due to the increase in sales in Latin America.

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 Consolidated 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.

Cash flows relating to the Group's financial liabilities by maturity are presented below:

Category	31/12/2022	Total cash flows	Less than 1 year	Between 1 and 5 years	Beyond 5 years
Non-current financial payables	129,213	146,434	0	146,434	0
Non-current financial lease liabilities	6,077	6,077	0	5,501	575
Total non-current financial liabilities	**135,290**	**152,511**	**0**	**151,936**	**575**
Current financial liabilities	21,675	21,675	21,675	0	0
Current portion of non-current financial payables	9,705	9,705	9,705	0	0
Current financial lease liabilities	1,719	1,719	1,719	0	0
Total current financial liabilities	**33,099**	**33,099**	**33,099**	**0**	**0**
Total financial liabilities	**168,389**	**185,610**	**33,099**	**151,936**	**575**

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions.

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 Consolidated 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.

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.

At December 31, 2022, the following hedging derivatives are outstanding:

Type	ID	Notional contract	Notional at the reporting date	Variable rate	Fixed rate	Maturity	Fair value at December 31, 2022
Postal Code	MMX_29068750	24,000,000	24,000,000	Euribor 6M	0.20%	11/10/2028	3,779,292
Postal Code	MMX_29068675	16,000,000	16,000,000	Euribor 6M	0.06%	11/10/2027	1,321,737
Postal Code	43432008	16,000,000	16,000,000	Euribor 6M	0.06%	11/10/2027	1,330,669
Postal Code	43423339	24,000,000	24,000,000	Euribor 6M	0.20%	11/10/2028	3,828,660
Postal Code	26630416	8,000,000	8,000,000	Euribor 6M	0.06%	11/10/2027	663,540
Postal Code	26630417	12,000,000	12,000,000	Euribor 6M	0.20%	11/10/2028	1,904,821
Postal Code	134247400000	12,000,000	12,000,000	Euribor 6M	0.20%	11/10/2028	1,901,853
Postal Code	134246600000	8,000,000	8,000,000	Euribor 6M	0.06%	11/10/2027	659,098
Postal Code	197795	4,472,289	4,472,289	Euribor 6M	N/A	31/12/2025	276,162
Total		**124,472,289**					**15,665,832**

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.

Financial assets and liabilities

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

Financial assets at 31/12/2022	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	1,609	15,666	155	17,431
Trade receivables	0	0	49,233	49,233
Other receivables	0	0	3,450	3,450
Total financial assets as per IFRS 7	**1,609**	**15,666**	**52,839**	**70,114**

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 31/12//2022	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	0	0	6,077	6,077
Non-current financial payables	0	0	129,213	129,213
Total non-current financial liabilities	**0**	**0**	**135,290**	**135,290**
Current financial liabilities	0	0	21,675	21,675
Current financial lease liabilities	0	0	1,719	1,719
Current portion of non-current financial payables	0	0	9,705	9,705
Total current financial liabilities	**0**	**0**	**33,099**	**33,099**
Trade payables	0	0	44,009	44,009
Other non-current liabilities	0	0	8	8
Other payables	0	0	12,257	12,257
Total financial liabilities as per IFRS 7	**0**	**0**	**224,664**	**224,664**

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 paya-bles	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 liabilities	600	0	12	612
Other payables	0	0	12,294	12,294
Total financial liabilities as per IFRS 7	**1,362**	**0**	**219,791**	**221,153**

Guarantees provided and other contractual commitments

At December 31, 2022, the Company has not undertaken guarantees or contractual commitments beyond those reflected in the balance sheet.

Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

In relation to the provisions of Article 1, paragraph 125 of Law 124/2017, the following table shows the sums of money received during the financial year by way of grants, contributions, paid assignments and in any case economic benefits of any kind from the public administrations and the entities referred to in paragraph 125 of the same article. They are shown below according to the cash principle.

Grantor	Description	Amount paid in 2022	Reporting period
ALTAS	Tuscany Region project grant	50,084	09/2020 - 09/2021
SUSTAINABLE GROWTH FUND	"SECO Edge IoT Services" project grant	370,141	05/2020 - 06/2021
FONDO IMPRESA	Training contribution	1,216	2022
TRAINING PLANS	Training contribution	3,835	2022
ATTRACT	European Union project grant	73,500	05/2022

Proposal for the allocation of the profit of the Parent Company

SECO's Board of Directors will propose to the Shareholders' Meeting the allocation of the profit for the year to the Extraordinary Reserve in the amount of Euro 14,569,754.25.

3.2| Notes to the Balance Sheet

(1) Property, plant & equipment

Category	31/12/2022	31/12/2021	Variazione
Land & buildings	5,068	4,432	636
Plant & machinery	6,968	8,230	(1,262)
Other tangible assets	4,860	3,955	905
Assets in progress	199	180	19
Total property, plant and equipment	**17,095**	**16,797**	**298**

The main investments made by the Group in the year totaled Euro 3,647 thousand and mainly concerned the "Land and buildings", "Plant and Machinery" and "Other tangible assets" categories.

"Land and buildings" increased by Euro 824 thousand due to the purchase of new land for the construction of a new production site. "Plant and machinery" increased by Euro 748 thousand, following the acquisition of new machinery to support the production growth of SECO S.p.A., Fannal and SECO Northern Europe, while the "Other tangible assets" account increased by Euro 2,055 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.

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	824	748	2,055	19	3,647
Decreases	0	(44)	(131)	0	(175)
Historical cost 31/12/2022	**5,882**	**14,465**	**8,233**	**199**	**28,780**
Accumulated depreciation 31/12/2021	(625)	(5,531)	(2,354)	0	(8,511)
Amortization & Depreciation	(189)	(2,010)	(1,213)	0	(3,412)
Decreases	0	44	194	0	238
Accumulated depreciation 31/12/2022	**(814)**	**(7,497)**	**(3,373)**	**0**	**(11,685)**
Net value 31/12/2021	4,432	8,230	3,955	180	16,797
Net value 31/12/2022	**5,068**	**6,968**	**4,860**	**199**	**17,095**

(2) Intangible assets

Category	31/12/2022	31/12/2021	Change
Development costs	23,450	16,497	6,953
Software	37,007	3,883	33,124
Customer List	31,350	32,670	(1,320)
Other intangible assets	9,846	301	9,545
Assets in progress	392	3,016	(2,624)
Total intangible assets	**102,044**	**56,367**	**45,678**

The increases in the account total Euro 59,436 thousand and mainly concern: i) the intangible assets involved in the transfer of the business unit by Camozzi Digital and related purchase price allocation for Euro 44,387 thousand, including two patents valued at Euro 7,874 thousand and Euro 2,440 thousand and one software application valued at Euro 34,474 thousand (see the paragraph "Business combinations by the Group" for more information); and ii) the recognition of the development costs of the projects for "standard" products (i.e. catalogue products) with long-term utility incurred in the year for Euro 14,818 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 and Depreciation	Net value 31/12/2022
Development costs	16,497	14,818	0	(7,865)	23,450
Software	3,883	36,869	(408)	(3,337)	37,007
Customer List	32,670	0	0	(1,320)	31,350
Other intangible assets	301	10,373	(10)	(818)	9,846
Assets in progress	3,016	(2,624)	0	0	392
Total intangible assets	**56,367**	**59,436**	**(419)**	**(13,340)**	**102,044**

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 year 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. 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	31/12/2022	31/12/2021	Change
Land & buildings	5,859	6,672	(813)
Plant & machinery	1,975	2,102	(127)
Depreciation	1,153	1,121	32
Right-of-use	**8,986**	**9,895**	**(909)**

Right-of-use includes lease contracts for land and buildings, motor rental and machinery.

The increase of Euro 993 thousand is attributable to new lease contracts in 2022 related mainly to acquiring new optical-inspection equipment used in production, a controlled-temperature components-storage unit, new equipment for card programming, and hardware and software improvements to the company's firewall.

Changes in right-of-use in 2022 are presented below:

	Land & buildings	Plant & machinery	Other tangible assets	Total
Historical cost 31/12/2021	7,605	3,438	1,194	12,237
Increases	273	467	253	993
Decreases	0	(22)	0	(22)
Historical cost 31/12/2022	**7,878**	**3,883**	**1,447**	**13,208**
Accumulated depreciation 31/12/2021	(933)	(1,336)	(73)	(2,342)
Amortization & Depreciation	(1,087)	(593)	(221)	(1,901)
Decreases	0	21	0	21
Accumulated depreciation 31/12/2022	**(2,020)**	**(1,908)**	**(294)**	**(4,222)**
Net value 31/12/2021	6,672	2,102	1,121	9,895
Net value 31/12/2022	**5,858**	**1,975**	**1,153**	**8,986**

(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	31/12/2022	31/12/2021	Variazione
Goodwill	165,508	148,484	17,024
Total Goodwill	**165,508**	**148,484**	**17,024**

The balance at December 31, 2022 increased Euro 17,024 thousand compared to the end of the previous year. The increase for the year was due to investments made during the year. For further information on corporate transactions carried out by the Group during the year, reference should be made to the section "Business Combinations by the Group".

The goodwill was allocated to the cash generating units ("CGU") as follows: i) Seco CGU for Euro 23,600 thousand; ii) Seco Mind US CGU for Euro 8,399 thousand and iii) Seco Northern Europe CGU for Euro 133,509 thousand.

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.

The main assumptions used by the Group to determine future cash flows, relating to a time horizon of 3 years, and the consequent recoverable value (value in use) refer to:

- the future cash flows expected from the 2023-2025 Business Plans, approved by the Board of Directors on March 9, 2023, using an explicit three-year period to which the estimated Terminal Value is added;
- the WACC discount rate;
- In addition to the explicit period, a growth rate (g) was estimated.

With regard to revenues and consequent cash flows used by the Group over the explicit forecast period, i.e. 2023-2025, the Group has prepared a bottom-up, not top-down, business plan for the purpose of applying the discounting model. This means that the Group did not start with an analysis of the market, of expected market growth, and of the market share that the Group could achieve in the future because, firstly, there is no clearly defined market for the Group with publicly available data, given that we operate in a highly fragmented niche and in dissimilar segments. The Group develops revenues for the business plan by individual customer based on forecasts of the account manager for each specific customer relationship, and this same process is replicated for all consolidated companies. As such, the calculation of revenues is the result of detailed work by the Group's commercial department, which also includes specific interviews with the customers, and is an approach that we believe to be more accurate than turning to market research, which is not available for our industry segment. In this way, the Group is able to monitor sales performance in detail throughout the plan's timeline.

Revenue development over the 2023-2025 horizon with the above bottom-up approach leads to an expected growth of the Group that can be summarized as follows:

- Revenue development in all geographical areas of Group operations through penetration of existing customers and the acquisition of new customers;
- Noteworthy outlet sectors for new technologies being developed and redesigned include electric charging machines, voting machines, smart cities and electronic payment systems;
- A significant contribution to growth and profitability is expected from the CLEA platform, with estimated growths more than proportional to edge computing products, due to increased subscription business, compared to the initial implementation and customization business of the platform;
- Expected revenue growth is primarily based on the Group's major standard roadmap that will enable a market deployment of the most advanced edge computing systems that will be available in the market through the Group's close partnerships with the world's leading silicon vendors;
- An element that increasingly enables the Group to have an important competitive advantage over customers is the availability and continuous in-house advancement of touch technology through its Chinese subsidiary Fannal.

For the discounting of cash flows, the Group adopted a discount rate (WACC) that varies from one CGU to another, reflecting current market valuations of the cost of money and taking account of the specific risks of the activity and geographical area in which the CGU operates. It should also be noted that, for the purpose of estimating the risk-free rate used to determine the WACC, for all three tests of the CGUs defined, the Group has used the average yield on ten-year notes in the region covered by the given CGU over the y months prior to the testing date, unlike the tests conducted for the 2021 financial report, for which we used the average over the previous 5 years. This change in approach is due to the changing macroeconomic landscape and, in particular, to the significant increase in interest rates seen in 2022. The WACC was identified in its post-tax configuration. The latter is equal to the weighted average of the cost of equity, calculated on the basis of the Capital Asset Pricing Model ("CAPM") and the cost of debt capital. As required by IAS 36, the WACC was determined with reference to the sector operating risk and the financial structure of a sample of listed companies comparable in terms of risk profile and business sector. The increase in the risk-free rate has led to an increase in the WACCs for all CGUs analysed compared to 2021. A comparison is provided in the table below.

WACC	2022	2021
Seco CGU	9.57%	8.65%
Seco Mind US CGU	9.53%	8.73%
Seco Northern Europe CGU	7.25%	6.60%

In the discounted future cash flow model, a terminal value is included at the end of the cash flow projection period to reflect the residual value that each CGU is expected to generate. The terminal value represents the present value, at the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, and has been determined using a growth rate (g rate) differentiated by CGU to reflect the different growth potential of each CGU. In order to take proper consideration of the changing expectations for the nominal growth rate (g) of the various CGUs, and following the change in inflationary climate compared to 2021, g has been increased to 2.2% for all 3 CGUs, an increase of 0.7 percentage points for the CGUs SECO and SECO Mind US and of 0.2 percentage points for the CGU SECO NE.

Based on the assumptions described above, the analyses performed show a recoverable amount at December 31, 2022 that is greater than the carrying amount of each CGU.

Therefore, there are no reasons for the impairment of goodwill recognized at December 31, 2022.

However, although the directors consider that the assumptions used are reasonable, there is a possibility that significant changes will occur in any of the key assumptions described above, depending on the nature of the forecasts. Factors that could lead to a reduction include:

- a significant deterioration in actual performance compared to forecasts;
- a deterioration in the operating and financial environment and in the markets in which the Group operates.

To support their assessments Management, with the support of an independent expert, carried out sensitivity analyses on the results of the test with respect to changes in the basic assumptions (growth rate in the processing of the terminal value and discount rate) that condition the value in use of the CGUs. Even in the event of a positive or negative change in the WACC and g rate used, the analyses on the Seco, Seco Mind US and Seco Northern Europe CGU's would not lead to an impairment. Specifically, the sensitivity analyses developed were carried out for Seco, Seco Mind US and Seco Northern Europe CGUs for values +/- 1% on WACC and +/- 0.5% on g rate.

Based on this analysis, the Directors believe that it is reasonable that, even with changes to the key assumptions described above, the recoverable amount of the CGU's will not fall below their carrying value. Therefore, there is no reason for impairment of goodwill at December 31, 2022.

Given that, as mentioned, the recoverable amount has been determined on the basis of estimates, the Group cannot guarantee that there will be no impairment of goodwill in future periods. Given the current economic environment, the various factors used in drawing up the estimates could be revised; the Group will constantly monitor these factors and the existence of impairments.

(5) Non-current financial assets

Category	31/12/2022	31/12/2021	Change
Non-current financial assets	1,765	1,767	(2)
Assets for derivative financial instruments	15,666	34	15,631
Total non-current financial assets	**17,431**	**1,801**	**15,630**

Total non-current financial assets increased from Euro 1,801 thousand to Euro 17,431 thousand, attributable mainly to the mark-to-market value of the Group's derivative contracts.

(6) Deferred tax assets

Category	31/12/2022	31/12/2021	Change
Deferred tax assets	2,516	2,252	264
Total deferred tax assets	**2,516**	**2,252**	**264**

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 2,516 thousand at December 31, 2022, due mainly to increases in unrealized exchange differences.

The Group's directors assessed the recoverability of the deferred tax assets carried in the financial statements on the basis of the results in the Business Plan. It should be noted that, in keeping with the principle of prudence, the Directors decided not to recognize the tax benefits deriving from losses carried forward.

(7) Other non-current assets

The total of Euro 1,406 thousand at December 31, 2022 (Euro 834 thousand at December 31, 2021) mainly includes the tax receivable due beyond one year for Industry 4.0 capital goods and for research and development.

(8) Inventories

Inventories at December 31, 2022 totaled Euro 83,277 thousand, increasing Euro 21,592 thousand on the previous year. The breakdown of this account is shown in the table below:

Category	31/12/2022	31/12/2021	Change
Raw materials	66,832	49,369	17,463
Semi-finished products	9,827	7,959	1,868
Finished products	7,890	3,886	4,005
Advances to suppliers	1,367	2,399	(1,032)
Inventory obsolescence provision	(2,639)	(1,927)	(712)
Total inventories	**83,277**	**61,685**	**21,592**

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	31/12/2022	31/12/2021	Change
Trade receivables	49,942	37,420	12,522
Doubtful debt provision	(709)	(724)	14
Total trade receivables	**49,233**	**36,696**	**12,537**

Trade receivables at December 31, 2022 amounted to Euro 49,233 thousand, up Euro 12,537 thousand compared to the end of the previous year. The increase is mainly due to the increase in trade receivables of Seco SpA (+38%), of Seco Northern Europe (+119%) and Seco USA (+31%) in line with the rise in turnover recorded in 2022. The increase is a result of both increased volumes from the Group's existing customers and the acquisition of new customers.

(10) Tax receivables

Category	31/12/2022	31/12/2021	Change
VAT	2,433	3,568	(1,135)
Income taxes	492	383	109
Other	1,771	2,422	(651)
Total tax receivables	**4,696**	**6,373**	**(1,677)**

Tax receivables at December 31, 2022 amounted to Euro 4,696 thousand, down Euro 1,677 thousand compared to the end of the previous year. This decrease was mainly due to the collection and the compensation of the VAT credit generated in 2021 by SECO SpA.

(11) Other receivables

Category	31/12/2022	31/12/2021	Change
Advances to suppliers	36	496	(460)
Other receivables	2,476	2,125	351
Prepayments and accrued income	938	870	68
Total other receivables	**3,450**	**3,491**	**(41)**

Other receivables at December 31, 2022 amounted to Euro 3,450 thousand and decreased Euro 41 thousand on the previous year. This change is due to the combined effect of: (i) the decrease in advances to suppliers as at December 31, 2022, compared to the previous year; and (ii) the increase in other receivables at December 31, 2022, compared to the previous year, due to the recognition of the receivable recorded following the Group's participation in the SEIS call for tenders.

(12) Cash and cash equivalents

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

Category	31/12/2022	31/12/2021	Change
Cash	15	21	(5)
Cash and cash equivalents	39,571	58,804	(19,233)
Total cash and cash equivalents	**39,586**	**58,825**	**(19,238)**

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 December 31, 2022, the authorized share capital totaled Euro 1,205,418.09 and was divided into 118,677,417 shares. The paid-up share capital at December 31, 2022 amounted to Euro 1,153,965.12.

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

SHARE PREMIUM RESERVE - The share premium reserve, amounting to Euro 168,543 thousand at December 31, 2022, saw a net increase of Euro 49,563 thousand due to mergers and acquisitions carried out by the Group in 2022 and the exercise of stock option plans.

OTHER RESERVES - Other reserves, amounting to Euro 34,364 thousand at December 31, 2022, refer to:

- Euro 27,037 thousand (Euro 22,878 thousand at December 31, 2021) to non-distributable reserves;
- Euro 3,959 thousand (Euro 2,535 thousand at December 31, 2021) to the accounting of the incentive plans granted to employees subject to the retention of the employment relationship at the end of the vesting period (see the paragraph "Incentive plans" for more information);
- negative Euro 8,330 thousand (Euro 3,690 thousand at December 31, 2021) to the treasury share purchase plan reserve. The number of treasury shares held by the Company at December 31, 2022 is 1,053,334 shares.
- positive Euro 11,697 thousand (Euro 761 at December 31, 2021) to the cash flow hedge reserve.

TRANSLATION RESERVE - The translation reserve, amounting to Euro 545 thousand at December 31, 2022, 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 at December 31, 2022, is unchanged from December 31, 2021.

RESERVE FOR LOSSES RECORDED IN OCI - The reserve, positive for Euro 215 thousand at December 31, 2022, includes the result of discounting employee benefits.

DIVIDENDS - In 2022 no dividends were distributed.

Incentive plans

At December 31, 2022, incentive plans have been granted, the main features of which are shown below. These plans provide for the granting of rights for the vesting of shares with regular dividend entitlement, subject to the retention of the employment/management relationship at the end of the vesting period, in addition to the achievement of any performance objectives. All of the plans fall into the category of equity-settled plans, i.e., involve equity awards.

The main features of the incentive plans can be summarized as follows:

Category	Management 20 Shares	Management Performance Shares	IPO Management Plan
Grant date	30/11/2020	30/11/2020	26/04/2021
Vesting period	30/11/2020 - 30/06/2024	30/11/2020 - 30/06/2024	26/04/2021 - 26/04/2024
Period of exercise/allocation	From May 2021, in stages	From June 2024	From May 2021, in stages
No. rights	2,500	1,000	5,280,000
Fair Value	2,080	189,054	1,923,373
Translation reserve	1:100	Minimum 1:2.800 Massimo 1:3.200	1:1

Incentive plans are recorded in the financial statements at their fair value in accordance with IFRS 2.

The following is a summary of changes in incentive plans:

Category	Management 20 Shares	Management Performance Shares	IPO Management Plan
Rights in circulation at 01/01/2022	**2,500**	**1,000**	**5,280,000**
Allocated during the year	0	0	0
Exercised during the year	0	0	513,000
Expired during the year	0	0	0
Rights in circulation at 31/12/2022	**2,500**	**1,000**	**4,767,000**

Total Minorities Equity

Non-controlling interest equity amounted to Euro 20,774 thousand at December 31, 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 24% by third parties;
- Seco Mind US, owned 30% by third parties;
- Piri.ai, Inc, owned 31% by third parties.

Reconciliation Parent Company and Consolidated equity and result

Category	Share capital and reserves	Net Profit	Equity
Equity SECO SpA	**(205,852)**	**(5,831)**	**(211,683)**
Net result and equity of the consolidated companies	(47,500)	(9,315)	(56,815)
Elimination carrying amount of equity investments	141,297	0	141,297
PPA Fannal Electronics	(2,971)	0	(2,971)
PPA InHand Electronics	(1,656)	0	(1,656)
PPA SECO Mind	(1,762)	(169)	(1,931)
PPA Garz&Fricke Group	(104,390)	1,062	(103,329)
Elimination effects of inter-company transactions	851	(317)	535
Reserves and profit on non-controlling interests	17,244	3,530	20,775
Group Equity	**(204,739)**	**(11,039)**	**(215,778)**
Equity attributable to Non-Controlling Interests	(17,244)	(3,530)	(20,775)
Total Equity	**(221,983)**	**(14,570)**	**(236,553)**

(14) Employee benefits

Category	31/12/2022	31/12/2021	Change
Post-employment benefit provision employees	(2,524)	(2,795)	271
Post-employment benefit provision directors	(302)	(270)	(33)
Total employee benefits	**(2,827)**	**(3,065)**	**238**

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 December 31, 2022. The overseas companies do not recognize employee benefits or other components attributable to long-term benefits. The Group is assisted by an expert in actuarial valuation who, with regard to determining the discount rate, made reference to the iBoxx Eurozone Corporates AA 10+ at the valuation date. To determine the annual rate of inflation, reference was made to the update to the 2022 Economics and Finance Document (NADEF 2022) published on November 4, 2022, which reports a consumption deflator for the years 2023, 2024 and 2025 of 5.9%, 2.3% and 2.0%, respectively. Based on these indications and the current inflation trends, it was deemed appropriate to use the rates indicated and then a constant rate of 2.0% beginning in 2026. The actuarial valuation of post-employment benefits was done on a closed-group basis, i.e. not taking account of new hires over the given time horizon.

The director's post-employment benefit payable increased by Euro 33 thousand at December 31, 2022 compared to the previous year.

(15) Provisions for risks

Category	31/12/2022	31/12/2021	Change
Agent's supplementary indemnity provision	(78)	(37)	(41)
Other	(1,324)	(692)	(632)
Total other risks	**(1,402)**	**(729)**	**(673)**

The total consists of the provision for supplementary indemnity amounting to Euro 78 thousand and "Other", which is mainly composed of the provision for product warranty relating to the German subsidiary SECO Northern Europe.

(16) Deferred tax liabilities

At December 31, 2022, deferred tax liabilities totaled 25,911 thousand, increasing Euro 13,881 thousand from the end of the previous year. This is mainly attributable to the transfer of the business unit by Camozzi Digital (see the section "Business combinations by the Group" for more information) and the effect of deferred taxation on the value of the derivative instruments of SECO S.p.A.

(17) Non-current financial payables

Category	31/12/2022	31/12/2021	Change
Non-current financial payables	(129,213)	(138,083)	8,869
Total non-current financial payables	**(129,213)**	**(138,083)**	**8,869**

This item refers to the medium/long-term portion of outstanding loans. In line with market practice for borrowers of similar credit standing, the main financing agreements call for meeting certain financial covenants, based on which the company is committed to meeting certain financial indicators defined by contract, the most significant of which is the ratio of net debt to EBITDA, measured at the consolidated level as defined in the agreements with the lenders. These covenants had been complied with at December 31, 2022.

(18) Non-current financial lease liabilities

Category	31/12/2022	31/12/2021	Change
Non-current financial lease liabilities	(6,077)	(6,964)	887
Total Non-current financial lease liabilities	**(6,077)**	**(6,964)**	**887**

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 Group entered into new lease contracts in 2022 related mainly to acquiring new optical-inspection equipment used in production, a controlled-temperature components-storage unit, new equipment for card programming, and hardware and software improvements to the company's firewall.

(19) Other non-current payables

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

Other non-current payables at December 31, 2022 mainly include security deposits received, the change in which concerns the closure of the deferred consideration for the acquisition of Ispirata for Euro 600 thousand.

(20) Current financial liabilities

Category	31/12/2022	31/12/2021	Change
Current financial liabilities	(21,675)	(11,501)	(10,174)
Total current financial liabilities	**(21,675)**	**(11,501)**	**(10,174)**

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 December 31, 2022.

(21) Current portion of non-current financial payables

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

Category	31/12/2022	31/12/2021	Change
Current portion of non-current financial payables	(9,705)	(10,197)	492
Current portion of non-current financial payables	**(9,705)**	**(10,197)**	**492**

(22) Current financial lease liabilities

Category	31/12/2022	31/12/2021	Change
Current financial lease liabilities	(1,719)	(1,552)	(166)
Total current financial lease liabilities	**(1,719)**	**(1,552)**	**(166)**

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	31/12/2022	31/12/2021	Change
Trade payables	(44,009)	(39,949)	(4,061)
Total trade payables	**(44,009)**	**(39,949)**	**(4,061)**

The account includes accounts payable for production supplies, capital expenditures and services received at December 31, 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

Payables to social security institutions and personnel increased by Euro 510 thousand in relation to the increase in the number of employees from 593 at December 31, 2021, to 835 at December 31, 2022. The increase in accrued liabilities concerns the instalments related to the tax credit related to the purchase of Industry 4.0 capital goods by SECO S.p.A.

Category	31/12/2022	31/12/2021	Change
Accrued liabilities	(1,138)	(838)	(300)
Payables to social security institutions	(6,943)	(6,432)	(510)
Other liabilities	(2,739)	(3,348)	609
Advances - contract liabilities	(1,438)	(1,676)	238
Total other current liabilities	**(12,257)**	**(12,294)**	**37**

(25) Tax payables

Category	31/12/2022	31/12/2021	Change
Tax payables	(1,893)	(1,844)	(49)
Tax payables	(1,978)	(1,677)	(301)
Total Tax payables	**(3,871)**	**(3,521)**	**(350)**

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.

3.3| Notes to the income statement

(26) Revenues from sales and services

Category	31/12/2022	31/12/2021	Change	Change %
EMEA	155,787	83,862	71,925	85.77%
of which Italy	*78,755*	*58,042*	*20,713*	*35.69%*
USA	26,929	20,801	6,129	29.46%
APAC	14,875	6,744	8,132	120.58%
Rest of the world	3,315	887	2,428	273.81%
Revenues by region	**200,906**	**112,293**	**88,613**	**78.91%**

Revenues rose from Euro 112,293 thousand in 2021 to Euro 200,906 thousand in 2022, increasing 78.91% on the previous year. This follows growth in every region in which the Group operates, along with the full consolidation of SECO Northern Europe in 2022, as opposed to just the fourth quarter in 2021.

In particular, the breakdown of revenues was as follows:

- in EMEA for an increase of Euro 71,925 thousand (+85.77%), increasing on the previous year in the following sectors: Wellness (up Euro 5,100 thousand); Vending (up Euro 24,278 thousand, Euro 16,771 thousand of which attributable to SECO Northern Europe); Industrial (up Euro 19,809 thousand, Euro 11,597 thousand of which attributable to SECO Northern Europe); Professional Kitchen Equipment (up Euro 13,340 thousand) attributable to SECO Northern Europe; and Medical (up Euro 4,881 thousand, Euro 3,106 thousand of which attributable to SECO Northern Europe);
- in the United States in the Medical sector (up Euro 1,885 thousand, Euro 475 thousand of which attributable to SECO Northern Europe) and Industrial sector (up Euro 3,413 thousand);
- in the APAC region, increasing mainly in the Industrial sector for Euro 7,553 thousand (+135%), due to the results of the subsidiary Fannal Electronics;
- in the rest of the world, revenues increased by more than 200% due to the increase in sales in Latin America.

(27) Other income and revenues

Other revenues and income amounted to Euro 4,371 thousand in 2022, compared to Euro 4,045 thousand in 2021.

Category	31/12/2022	31/12/2021	Change	Change %
Operating grant tax credit R&D	1,437	1,845	(408)	-22.12%
Capital grant tax credit Industry 4.0	654	201	453	225.00%
Other operating grants	727	633	93	14.76%
Other revenues and income	1,553	1,365	188	13.77%
Total other revenues and income	**4,371**	**4,045**	**326**	**8.06%**

This account mainly includes:

- the operating grant tax credit for research and development amounting to Euro 1,437 thousand;
- the capital grant tax credit for the purchase by SECO S.p.A. of instrumental goods under Industry 4.0 amounting to Euro 404 thousand and the grant for Training 4.0 for Euro 250 thousand;
- pro-rata contribution relating to the Group's participation in the calls for tender: SEIS for Euro 342 thousand and Eupex for Euro 202 thousand;
- other revenues and income mainly include recharges to customers and suppliers.

(28) Raw materials, ancillary, consumables and goods

Costs of raw materials, ancillary, consumables and goods for resale amounted to Euro 128,931 thousand in 2022, compared to Euro 71,820 thousand in 2021. The increase recognized for Euro 57,111 thousand

The increase in the year 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 compared to the previous year; and the general increase in component supply costs as a result of delays and procurement difficulties throughout the supply chain;

(29) Service costs

Category	31/12/2022	31/12/2021	Change
Transport costs	3,135	2,520	616
Commission costs	1,344	1,016	329
Rentals and operating leases	1,849	943	906
Maintenance costs	437	383	54
Consultancy costs	4,347	4,276	71
Bank charges	116	76	40
Administrative and utility costs	3,337	1,411	1,925
Other taxes	228	174	54
Outsourcing costs	1,673	302	1,371
Marketing costs	1,329	899	430
Insurance costs	565	758	(192)
Service costs	**18,360**	**12,757**	**5,603**

Service costs came to Euro 18,360 thousand at December 31, 2022, as compared to Euro 12,756 at December 31, 2021. The increase relates not only to specific causes associated with individual cost categories but also to two general factors: the significant increase in Group turnover (+78.90%) and the expansion of the consolidation scope since the same period of the previous year.

Specifically, the increase in transport costs is due not only to the increase in volumes purchased against the growth in turnover, but also to the contingency arising throughout 2022 (and is still ongoing) due to the exponential increase in delivery times by many silicon and component manufacturers, which led the Group to source in some cases from alternative suppliers offering faster delivery times but with higher transport costs.

The increase in rentals and operating leases, amounting to Euro 906 thousand, is primarily due to the increase in the cost of short-term or low-value vehicle rentals and fees for software licenses used in the R&D area, as well as the increase in the consolidation scope following the acquisition of the Garz&Fricke Group in Q4 2021.

The increase in outsourcing costs of Euro 1,371 thousand mainly concerns the increase in outsourcing by SECO S.p.A. and the increase in consolidation scope compared to the same period of the previous year.

The increase in administrative costs and for utilities of Euro 1,925 thousand compared to the previous year is mainly due to electricity costs, which increased due to the sudden rise in energy prices throughout 2022 combined with the increase in the consolidation scope.

(30) Personnel expenses

Category	31/12/2022	31/12/2021	Change
Salaries and wages	24,740	17,148	7,592
Social security costs	5,579	3,984	1,595
Post-employment benefit provision	946	851	96
Other personnel costs	3,617	1,484	2,133
Total personnel costs	**34,882**	**23,466**	**11,416**

Personnel costs in 2022 totaled Euro 34,882 thousand, increasing Euro 11,416 thousand compared to the previous year. The main component of the increase compared to the previous year relates to the recognition of the cost of stock option plans granted to the management team and employees following the successful stock market listing concluded during the current year, amounting to Euro 2,115 thousand, in addition to the increase in the workforce at Group level, both due to the increase in the consolidation scope compared to the previous year, and due to the new hires in the year, necessary to support the development plans in terms of R&D, production and sales.

The average number of employees broken down by category is shown below:

Category	2022	2021
Executives (*)	39	25
White-collar	467	325
Blue-collar	329	243
Average headcount	**835**	**593**

(*) The category includes the number of Executives as defined by Italian regulations and the Executives/Managers categories of the overseas companies included in the consolidation scope.

(31) Amortization and Depreciation

Amortization and depreciation increased from Euro 9,151 thousand in 2021 to Euro 18,653 thousand in 2022, increasing Euro 9,502 thousand.

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

The item, amounting to Euro 54 thousand, includes the doubtful debt provision for Euro 13 thousand and the provision for agent supplementary severance indemnities for Euro 41 thousand.

(33) Other operating costs

Category	31/12/2022	31/12/2021	Change
Directors' fees and related charges	1,912	1,627	285
Board of Statutory Auditors' fees	80	80	0
Travel and transfer costs	299	186	113
Losses on receivables	40	158	(118)
Other operating costs	2,785	130	2,654
Total other operating costs	**5,116**	**2,181**	**2,935**

Directors' fees and relative charges increased by Euro 285 thousand on the previous year. This increase, attributable mainly to SECO S.p.A., is the combined effect of a Euro 108 thousand increase in directors' fees compared to the previous year and allocation of the bonus granted to directors for having reached 2022 targets. The increase in other operating costs was mainly due to the consolidation of the German subsidiary SECO Northern Europe for all of 2022, as opposed to just the fourth quarter in 2021.

(34) Financial charges

Category	31/12/2022	31/12/2021	Change
Interest charges on loans	1,367	763	604
IFRS 16 interest charges	100	46	54
Other financial charges	3,799	588	3,211
Total financial charges	**5,266**	**1,397**	**3,869**

Total financial charges increased from Euro 1,397 thousand in 2021 to Euro 5,266 thousand in 2022. The increase is due mainly to the interest expense on the syndicate loan received in the fourth quarter of 2021 for the acquisition of the Garz & Fricke Group. In relation to this acquisition, in November 2022, the Group consolidated a number of outstanding loans to align them in structure and due dates. The closure of the amortized cost of the loans consolidated had an impact of Euro 22 thousand on the income statement.

EMARKET SDIR CERTIFIED

(35) Income taxes

Category	31/12/2022	31/12/2021	Change
IRES	44	0	44
IRAP	521	65	456
Foreign taxes	1,754	1,274	480
Prior year taxes	(1)	(42)	41
Deferred tax charges	175	(310)	485
Income taxes for the year	0	81	(81)
Total income taxes	**2,494**	**1,068**	**1,426**

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.

The reconciliation to the theoretical rate is shown in the table on the next page:

Category	31/12/2022			31/12/2021		
	Profit before taxes	Rate %	Tax	Taxable	Rate %	Tax
Profit before tax foreign companies	**17,064**			**7,569**		
Assessable and theoretical IRES tax	11,271			4,264		
Temporary differences	**5,793**	**24%**	**(1,390)**	**3,305**	**24%**	**(793)**
Permanent differences	1,888			542		
Deductible losses	(3,598)			(11,036)		
ACE deduction	(636)					
Effects of consolidation entries or transition to IAS/IFRS	(2,889)			(31)		
Assessable and actual IRES tax	399			414		
Effective tax charge	**957**	**24%**	**(230)**	**(6,806)**	**24%**	**0**
Other tax items		*4.0%*			*0.0%*	
Actual taxes of foreign Group companies						
IRAP taxes			(2,966)			(1,274)
Income taxes for the year IRES - IRAP	11,247	3.9%	(521)	(778)	3.9%	(65)
Imposte dell'esercizio IRES - IRAP			**(3,717)**			**(1,339)**

(36) Basic earnings per share

Category	31/12/2022	31/12/2021
Group net profit [A]	**11,039**	**4,149**
Number of shares at the beginning of the year	110,041	776
Number of shares at the end of the year	117,624	110,041
Weighted average number of shares for basic EPS [B]	113,472	73,087
Basic earnings per share (Euros) [C]=[A]/[B]	**0.10**	**0.06**

(37) Diluted earnings per share

Category	31/12/2022	31/12/2021
Group net profit [A]	**11,039**	**4,149**
Number of shares at the beginning of the year	115,321	776
Number of shares at the end of the year including dilutive effect	122,649	115,321
Weighted average number of shares for diluted EPS [B]	118,638	75,392
Diluted earnings per share (Euro) [C]=[A]/[B]	**0.09**	**0.06**

As reported in the basis of preparation, diluted earnings per share were calculated by dividing the total earnings per share for the period attributable to holders of the Company's ordinary shares, excluding treasury shares, by the weighted average number of shares outstanding, adjusted to take account of the effects of all dilutive potential ordinary shares.

(38) Consolidated Comprehensive Income Statement

The tax effect relating to other components of the Consolidated Comprehensive Income Statement breaks down as follows:

Category	31/12/2022			31/12/2021		
	Gross value	Tax (Charge)/ Benefit	Net value	Gross value	Tax (Charge)/ Benefit	Net value
Translation differences	(50)	0	(50)	1,510	0	1,510
Net gain/(loss) on Cash Flow Hedge	12,458	0	12,458	(762)	0	(762)
Discounting employee benefits	522	(148)	375	(73)	12	(60)
Total comprehensive income	**12,931**	**(148)**	**12,783**	**675**	**12**	**687**

3.4| 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	Consortium Ubiquitous Technologies S.c.a.r.l (CUBIT)	Company 22.5% owned by the Parent Company
Legal person	SECO Northern Europe Holding GMBH	wholly-owned subsidiary of the Parent Company
Legal person	SECO Northern Europe GMBH	Subsidiary held 27% by the Parent Company and remainder 73% indirect shareholding via the subsidiary SECO Northern Europe Holding GMBH
Legal person	SECO Mind Germany GMBH	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO Northern Europe GMBH
Legal person	e-GITS India Private Ltd. (Chennai, India)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO Mind Germany GMBH
Legal person	SECO USA, Inc.	wholly-owned subsidiary of the Parent Company
Legal person	SECO Mind USA, LLC	Subsidiary of the Parent Company with a 70% indirect shareholding via the subsidiary SECO USA, Inc.
Legal person	Piri.ai,Inc	Subsidiary of the Parent Company with a 99% indirect shareholding via the subsidiary SECO USA, Inc.
Legal person	SECO Asia Limited	51% subsidiary owned by the Parent Company
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	Fannal Electronics Co., Ltd	Subsidiary of the Parent Company with a 55% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	SECO Mind Srl	76% subsidiary owned by the Parent Company
Legal person	PSM Tech S.r.l.	wholly-owned subsidiary of the Parent Company
Legal person	SECO BH d.o.o.	wholly-owned subsidiary of the Parent Company
Legal person	Fondo Italiano d'Investimento SGR S.p.A.	5.01% shareholder of the Parent Company
Legal person	DSA S.r.l.	18.80% shareholder of the Parent Company, 100% controlled by Conti Daniele
Legal person	HSE S.r.l.	18.77% shareholder of the Parent Company, 100% controlled by Secciani Luciano
Legal person	HCS S.r.l.	8.53% shareholder of the Parent Company, 50% controlled by Secciani Luciano and 50% by Conti Daniele
Legal person	Camozzi Group S.p.A.	6.97% shareholder of the Parent Company
Legal person	Olivetti S.p.A.	8.66% shareholder of the Parent Company
Legal person	Laserwall S.r.l.	Company 8.0% owned by HCS S.r.l.
Legal person	LAE S.r.l.	Sole Director Massimo Mauri, Director and CEO of the Parent company
Legal person	Simest S.p.A.	49% shareholder of Seco Asia Limited

Type	List of Related parties	Type and main nature of relationship
Legal person	Finsystem 2.0 S.r.l.	Company in which a close relative of the Chief Innovation Officer, Gianluca Venere, directly or indirectly holds a stake with voting rights of greater than 20%.
Legal person	Solenica, Inc.	Company in which the independent director Diva Tommei directly or indirectly holds a stake with voting rights of greater than or equal to 20%.
Legal person	Arcdata	Company in which a close relative of the independent director Diva Tommei directly or indirectly holds a stake with voting rights of greater than or equal to 20%.
Legal person	Peter Pan Holding S.r.l.	Company in which the Group's managing director, Massimo Mauri, directly or indirectly holds a stake with voting rights of greater than or equal to 20%.
Legal person	SPEM S.r.l.	Luca Tufarelli, a partner in the law firm, holds a 100% stake in SPEM S.r.l., which in turn holds a 0.74% interest in the Parent Company.
Legal person	Studio Legale Ristuccia Tufarelli & Partners	Luca Tufarelli, a partner in the law firm, holds a 100% stake in SPEM S.r.l., which in turn holds a 0.74% interest in the Parent Company.
Legal person	Lomarini & Lomarini Constultants S.r.l.	Company controlled by the director Luciano Lomarini
Legal person	EQValue	Pierpaolo Guzzo, chairman of the issuer's Board of Statutory Auditors, holds a 37.5% stake in EQValue S.r.l.; Maurizio Baldassarini, an alternate auditor of the issuer appointed on March 1, 2021, holds a 32.5% stake in EQValue S.r.l.
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 Officer of the Parent Company, appointed on 1/3/2021
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 5/5/2021
Natural person	Valentina Montanari	Independent Director of the BoD of the Parent Company, appointed on 22/12/2022
Natural person	Diva Tommei	Independent Director of the BoD of the Parent Company, appointed on 5/5/2021
Natural person	Lorenzo Mazzini	Legal representative and Executive Officer for Financial Reporting of the Parent Company
Natural person	Davide Catani	Legal representative and Chief Technology Officer of the Parent Company
Natural person	Vincenzo Difronzo	Legal representative and Chief Sales Officer of the Parent Company
Natural person	Gianluca Venere	Legal representative and Chief Innovation Officer of the Parent Company
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
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	Board of Directors	Board of Statutory Auditors	SB and Internal Committees	Laserwall	Finsystem 2.0 S.r.l.	Studio Legale Ristuccia Tufarelli & Partners	Total	Total book value	% on total account items
Non-current financial assets	65	0	0	0	0	0	0	**65**	17,431	0.37%
Trade receivables	87	0	0	0	5,705	0	0	**5,793**	49,233	11.77%
Other current receivables	0	330	0	0	0	0	0	**330**	3,450	9.56%
Employee benefits	0	302	0	0	0	0	0	**302**	2,827	10.70%
Trade payables	209	0	59	68	0	0	0	**336**	44,009	0.76%
Other payables	0	136	0	0	0	0	0	**136**	12,257	1.11%

Income Statement accounts	CUBIT S.c.a.r.l	Board of Directors	Board of Statutory Auditors	SB and Internal Committees	Laserwall	Finsystem 2.0 S.r.l.	Studio Legale Ristuccia Tufarelli & Partners	Total	Total book value	% on total account items
Revenues from sales	0	0	0	0	2,445	0	0	**2,445**	200,906	1.22%
Other revenue	0	0	0	0	249	0	0	**249**	4,371	5.71%
Raw materials, ancillaries, consumables and goods	0	0	0	0	0	0	0	**0**	128,982	0.00%
Service costs	110	0	0	0	0	19	19	**148**	18,360	0.80%
Other operating costs	0	1,642	80	68	0	0	0	**1,790**	5,116	34.99%

3.5| Remuneration of Directors, Statutory Auditors and independent audit firm

The fees in 2022 of the Board of Directors of the parent company totaled Euro 814 thousand (Euro 706 thousand in 2021), while those of the Board of Statutory of Auditors totaled Euro 80 thousand (Euro 80 thousand in 2021). The company also recognized a charge of Euro 2,115 in relation to incentive plans.

The fees of the independent audit firm for the audit of the separate financial statements and the consolidated financial statements totaled Euro 348 thousand in 2022 (Euro 204 thousand in 2021).

3.6| Disclosure pursuant to Article 149-duodecies of the Consob Issuer's Regulation

The following table, prepared pursuant to Article 149-duodecies of the Consob Issuers' Regulation reports the payments made in 2022 for audit and other services provided by the independent auditors and entities associated with them.

Type of service	Service provider	Company	2022 Fees
Audit	Deloitte	Parent Company	133,500
	Deloitte	Subsidiaries	17,000
	Deloitte	Subsidiaries	87,000
Certification services (R&D bonus)	Deloitte	Parent Company	6,000
		Subsidiaries	4,500
Opinion services as per Art. 2441 CC	Deloitte	Parent Company	100,000
Total			**348,000**

3.7| Subsequent events

On February 13, 2023, we announced the upcoming release of a solution that will integrate CLEA with Google Cloud for the European market. Users of Google Cloud will be able to use CLEA together with the AI services of Google Cloud, which will be integrated natively with CLEA, in order to generate insights based on all of the company's sources of data, including ERP, CRM, MES, and devices in the field. CLEA will be available on the Google Cloud Marketplace, and the two companies will be working together to support customers in implementing CLEA in Google Cloud, with a particular emphasis on vertical applications in strategic industry segments.

It should be noted, in accordance with IAS 10(9), that no events have occurred from December 31, 2022, to the date of approval of this financial report that could have a significant impact on the financial performance or standing as presented herein.

4| Declaration of the annual 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 drafting of the consolidated annual financial statements for 2022.
2. They also declare that the annual 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, March 21, 2023

Chief Executive Officer	Corporate Financial Reporting Officer
Massimo Mauri	Lorenzo Mazzini

Deloitte & Touche S.p.A.
Via Pier Capponi, 24
50132 Firenze
Italia

Tel: +39 055 2671011
Fax: +39 055 282147
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Seco S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of the Seco Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Seco S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting of Camozzi Digital business unit transfer	
Description of the key audit matter	On July 4, 2022, the Camozzi Digital business unit was transferred to Seco S.p.A. with a resulting increase in the Company's share capital. The transfer was recognized in the consolidated financial statements according to the acquisition method, in compliance with "IFRS 3 – Business Combinations", which provides a process for allocating the acquisition cost (*p*urchase price allocation - "PPA") and required management to measure the fair value of the net assets acquired, with the assistance of an independent expert. As a result of the PPA, the consolidated financial statements reflect the allocation of Euro 49,999 thousand to the assets acquired at fair value, more specifically: i) Euro 34,474 thousand to software, and ii) Euro 10,314 thousand to patents, with the related deferred taxes totalling Euro 11,373 thousand; the residual amountwas recognized as goodwill of Euro 16,534 thousand. Considering the significance of the business combination in the context of the Group's consolidated financial statements, the complexity of the valuation processes required by IFRS 3 and the assumptions made by management which, by their nature, involve a significant degree of judgment, we considered the recognition of the Camozzi Digital business unit acquisition a key matter in the audit of the consolidated financial statements. The explanatory notes of the consolidated financial statements describe the management's assessment process; the note on "Business Combinations" provides information on the acquisition.
Audit procedures performed	We have carried out the following procedures, also with the involvement of experts from Deloitte network: • analysis of agreements relating to the acquisition, in order to understand main terms and conditions; • inquiries of management in order to understand the process adopted by management, with the support of an independent expert, for accounting of the business combination according to the IFRS 3; • discussion with management and with the independent expert, with the participation ofour expert, with reference to the criteria and assumptions used for the identification of the net assets acquired and the estimation of their fair value; • analysis of the report prepared by the independent expert appointed by the management, also evaluating its competence, capabilities and objectivity; • recalculation, with the support of our experts, of the values determined by the independent expert.

	Furthermore, we examined the adequacy of the disclosures provided by the Group in the consolidated financial statements as of December 31, 2022 regarding the business combination and its compliance with IFRS 3 requirements.
Impairment test of the goodwill of Seco Northern Europe CGU	
Description of the key audit matter	The consolidated financial statements as of December 31, 2022 include goodwillof Euro 133,509 thousand allocated to the Seco Northern Europe CGU, deriving from the acquisition of the Garz & Fricke Group (now Seco Northern Europe) carried out in fiscal year 2021. The goodwill, as required by "IAS 36 Impairment of assets", is not amortized, but is subject to an impairment test, at least annually, by comparing the recoverable value of the CGU - determined according to the value in use method - and the book value, which takes into account both goodwill and other tangible and intangible assets allocated to the CGU. The impairment test process, prepared by the Directors with the assistance of an external expert, is complex and it is based on assumptions related to, among other things, the CGU cash flow forecast, and the determination of an appropriate discount rate (WACC) and growth rate (g-rate). The impairment test’s underlying assumptions are, moreover, by their nature, influenced by future expectations about the external market conditions,including those connected to the business, and they depend on factors that may vary over time. The operating cash flow estimation was made with reference to the 2023-2025 Business Plan approved by the Board of Directors on March 9, 2023. Considering the significance of the carrying amount of the goodwill, the subjectivity and uncertainty of the estimates related to the forecasting of the cash generating unit’s cash flows and the key parameters of the impairment test, we considered the impairment test a key matter in the audit of the consolidated financial statements. The explanatory notes of the consolidated financial statements describe the management's assessment process; note (4) on “goodwill” discloses the methods and parameters used by management for the impairment test.
Audit procedures performed	We have carried out the following procedures, with the involvement of our expert: • obtained an understanding of the procedures and relevant controls carried out by the management for preparing and approving the impairment test; • obtained an understanding of the method used by Directors, with the support of the independent expert, for the determination of the value in use of the cash-generating unit (CGU), analyzing the methods and assumptions used by management for the preparation of the impairment test;

- analysis of the reasonableness of the main assumptions made in estimating the cash flow forecast and the parameters used by the management for the impairment test. For this purpose we examined industry studies and sector analyses and reperformed the methods used by management to calculate WACC and g-rate;
- analysis of the report prepared by the independent expert appointed by management, also evaluating their skills, competence and objectivity;
- verification of the correct determination of the carrying amount of the assets and liabilities allocated to the CGU;
- verification of the clerical accuracy of the model used to determine the value in use of the CGU with the support of our experts;
- verification of the sensitivity analysis carried out by management.

Furthermore, we examined the adequacy of the disclosures provided by the Group in the consolidated financial statements as of December 31, 2022 on the impairment test and its compliance with IAS 36.

Recoverability of assets related to the development costs of new products

Description of the key audit matter	The Seco Group consolidated financial statements as of December 31, 2022 include assets referring to new product development costs of Euro 23,450 thousand (Euro 16,497 thousand as at December 31, 2021). The recognition of such assets requires assessing the compliance with IAS 38 – Intangible asset” and subsequently verifying the recoverability of the recognized values, involving the formulation of estimates by Directors, characterized by a significant degree of judgment. Given the value of the related assets,the complexity and the related elements of judgment, we have considered the verification of the recoverability of the assets relating to development costs a key audit matter. The explanatory notes of the consolidated financial statements describe the management's assessment process; note (2) “Intangible assets” provides information on development costs.
Audit procedures performed	In the context of our audit, we have carried out the following procedures: • obtained an understanding of the Company’s procedures and relevant controls overthe assessment of the recoverability of the investments in development costs; • discussions with management, aimed at understanding the characteristics of the projects; • verification, for a sample of projects, of the increases for the period, focusing on compliance with IAS 38 – Intangible asset” regarding the capitalization of internally generated intangible assets;

- analysis of the main assumptions used by management in preparing the consolidated financial statement of the previous year, with the final data and information of the year 2022, in order to evaluate their reasonabless and reliability.
- analysis, for a sample of projects, of the estimated future cash flows related to the development costs capitalized.

Furthermore, we examined the adequacy of the information provided by managementin the consolidated financial statements and its compliance with the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Seco S.p.A. appointed us on March 1, 2021 as auditors of the Company for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited the non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Seco S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2022 to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Seco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Seco Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Seco Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Seco Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Seco S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by other auditor.

DELOITTE & TOUCHE S.p.A.

Signed by
Gianni Massini
Partner

Florence, Italy
March 28, 2023

This independent auditor's 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.

SECO SpA
Via A. Grandi 20 – 52100 Arezzo (AR) Italy
VAT n. 00325250512
Business Registry n. 4196 Arezzo
REA n. 70645