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# SECO S.p.A.

## QUARTERLY FINANCIAL REPORT

## AT MARCH 31, 2023

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,154,944.56
VAT No. 00325250512
Arezzo Companies' Registration No. 4196

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# CORPORATE BOARDS

**Board of Directors**

*Office held until the approval of the 2023 annual accounts*

| | |
|---|---|
| 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 |

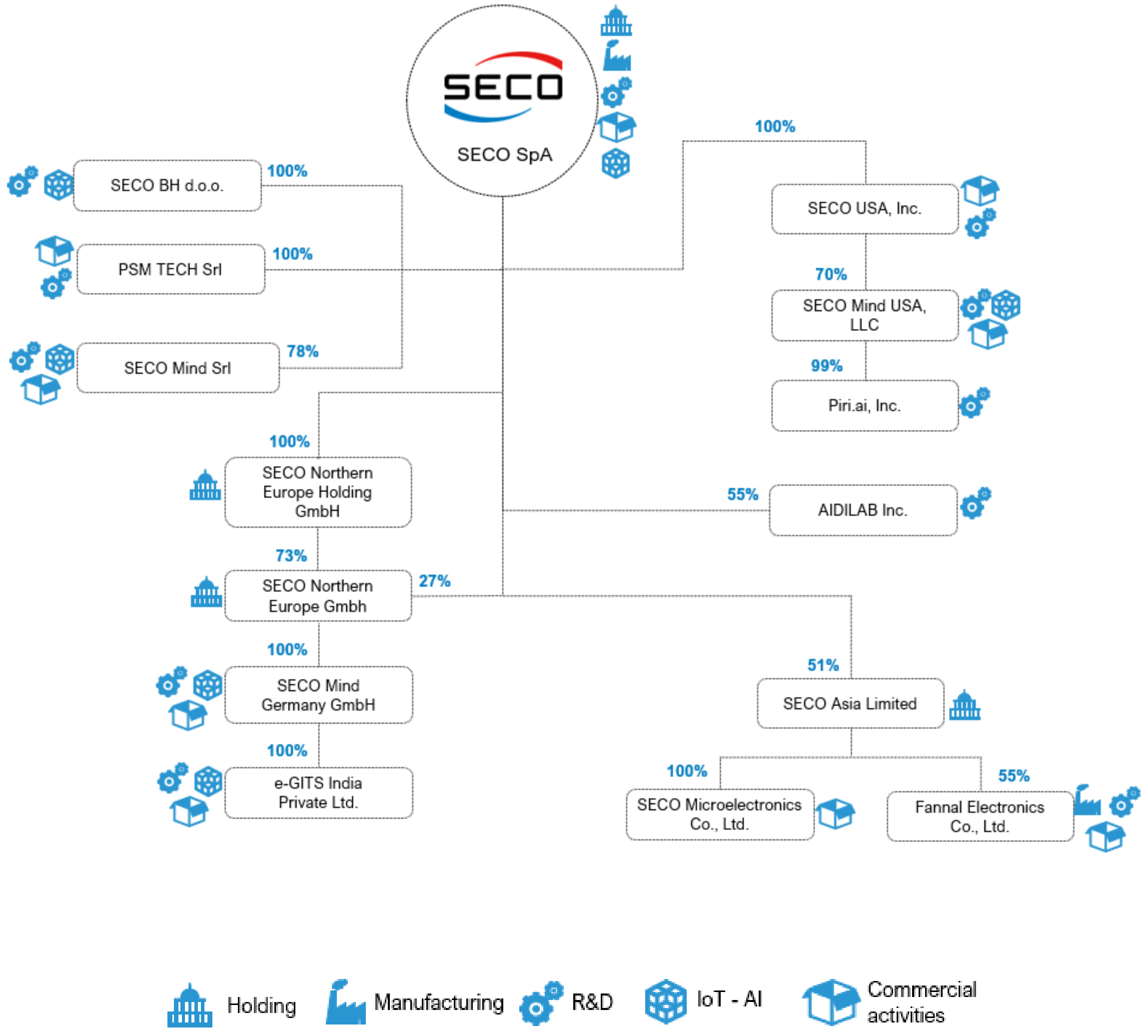
| | |
|---|---|
| **Executive Officer for Financial Reporting** | Lorenzo Mazzini |
| **Independent Audit Firm** | Deloitte & Touche S.p.A. |

*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.

## 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.

## OPERATING OVERVIEW

The Group's solid expansion over recent years was again confirmed in Q1 2023. The development of new Edge Computing products and new CLEA (the proprietary IoT-AI software platform) functionalities continued in the first three months of 2023. 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.

In January, SECO was selected by Axelera AI B.V. - a Netherlands-based company specializing in the development of edge-AI solutions - as the sole developer for Europe of edge AI solutions based on the AI Metis™ AI Platform, a tool designed to increase the computational capacity of devices, accelerate computational transactions performed on the edge and the deployment of artificial intelligence algorithms from the cloud to field devices. Through preferential access to Axelera AI's technology, SECO is working on the design of a development board and module based on a standard form factor, thus introducing a product dedicated to the innovative computer vision segment into its catalog. In this context, CLEA will also serve as an enabler for deploying existing AI-based models to perform accelerated inference capabilities directly on the edge, as well as to transfer AI-processed data to the cloud for archiving or further processing.

In February, the release of a solution that will integrate CLEA with Google Cloud for the European market was announced. 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 are working together to support customers in implementing CLEA in Google Cloud, with a particular emphasis on vertical applications in strategic industry segments.

**Research and Development and Technological Innovation**

Also in Q1 2023, SECO made a strong commitment to ensure high levels of innovation, integration and added value in the solutions built according to the specific needs of customers operating in the Biomedical, Digital Signage, Fitness, Industrial, Smart Cities, Transportation and Vending sectors.

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

The constant push for innovation by all the players in a given sector can quickly render a competitive advantage obsolete. For this reason, SECO every year dedicates significant resources to Research and Development. 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-based software solutions.

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

**SECO on the stock exchange**

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

At March 31, 2023, the SECO S.p.A. (IOT:MI) stock price was Euro 4.55, with a capitalization therefore of approximately Euro 540.4 million.

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# CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT AT MARCH 31, 2023

## Consolidated Balance Sheet

| | Note | 31/03/2023 | 31/12/2022 |
|---|---|---|---|
| Property, plants and equipments | | 17,040 | 17,095 |
| Intangible assets | | 102,630 | 102,044 |
| Right-of-Use | | 8,537 | 8,986 |
| Goodwill | | 165,346 | 165,508 |
| Non-current financial assets | | 17,373 | 17,431 |
| Deferred tax assets | | 2,545 | 2,516 |
| Other non-current assets | | 2,284 | 1,406 |
| **Total Non-Current Assets** | **(1)** | **315,756** | **314,985** |
| Inventories | | 83,366 | 83,277 |
| Trade receivables | | 55,570 | 49,233 |
| Tax receivables | | 4,445 | 4,696 |
| Other receivables | | 4,448 | 3,450 |
| Cash and Cash Equivalents | | 36,049 | 39,586 |
| **Total Current Assets** | **(2)** | **183,878** | **180,243** |
| **TOTAL ASSETS** | | **499,633** | **495,228** |
| Share capital | | 1,155 | 1,154 |
| Share premium reserve | | 168,937 | 168,543 |
| Reserves | | 46,023 | 35,043 |
| Group Net Profit | | 2,564 | 11,039 |
| **Total Group Equity** | **(3)** | **218,679** | **215,779** |
| Minorities Equity and Reserves | | 20,418 | 17,244 |
| Minorities Profit for the period | | 690 | 3,530 |
| **Total Minorities Equity** | | **21,107** | **20,774** |
| **Total Equity** | | **239,786** | **236,553** |
| Employee benefits | | 2,933 | 2,827 |
| Provisions for risks | | 1,343 | 1,402 |
| Deferred tax liabilities | | 26,244 | 25,911 |
| Non-current financial liabilities | | 128,538 | 129,213 |
| Non-current lease liabilities | | 5,712 | 6,077 |
| Other non-current liabilities | | 8 | 8 |
| **Total Non-Current Liabilities** | **(4)** | **164,778** | **165,438** |
| Current financial liabilities | | 23,644 | 21,675 |
| Current part of N-C Financial Liabilities | | 10,348 | 9,705 |
| Current lease liabilities | | 1,610 | 1,719 |
| Trade payables | | 43,388 | 44,009 |
| Other current liabilities | | 11,267 | 12,257 |
| Tax payables | | 4,814 | 3,871 |
| **Total Current Liabilities** | **(5)** | **95,070** | **93,236** |
| **TOTAL EQUITY AND LIABILITIES** | | **499,633** | **495,228** |

## Consolidated Income Statement

| | Note | 31/03/2023 | 31/03/2022 |
|---|---|---|---|
| Net sales | | 54,605 | 42,758 |
| Other revenues and income | | 1,115 | 972 |
| **Total revenues and operating income** | **(6)** | **55,720** | **43,730** |
| Costs for services, goods and other operating costs | | (35,206) | (28,290) |
| Personnel costs | | (9,187) | (8,167) |
| **Total costs and other operating charges** | **(7)** | **(44,392)** | **(36,456)** |
| Amortization & depreciation | **(8)** | (4,657) | (3,183) |
| Provisions and write-downs | | 0 | 0 |
| **Operating Profit** | | **6,670** | **4,091** |
| Financial income and charges | | (2,004) | (845) |
| Exchange gains/(losses) | | 27 | (54) |
| **Profit before tax** | | **4,693** | **3,192** |
| Income taxes | | (1,439) | (965) |
| **Profit for the period** | | **3,254** | **2,227** |
| Non-controlling interests profit | | 690 | 733 |
| **Group profit** | | **2,564** | **1,494** |
| Basic earnings per share | | 0.022 | 0.014 |
| Diluted earnings per share | | 0.021 | 0.013 |

## Consolidated Comprehensive Income Statement

| | 31/03/2023 | 31/03/2022 |
|---|---|---|
| **Profit for the period** | **3,254** | **2,227** |
| **Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:** | **(543)** | **498** |
| Translation differences | (543) | 498 |
| Net gain/(loss) on Cash Flow Hedge | 0 | 0 |
| **Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:** | **0** | **0** |
| Discounting employee benefits | 0 | 0 |
| Tax effect discounting employee benefits | 0 | 0 |
| **Total comprehensive income** | **(543)** | **498** |
| Non-controlling interests | 552 | 1,027 |
| Parent company shareholders | 2,159 | 1,698 |
| **Total comprehensive income** | **2,711** | **2,725** |

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## Consolidated Cash Flow Statement

| | 31/03/2023 | 31/03/2022 |
|---|---|---|
| **Profit for the period** | **3,254** | **2,227** |
| Income taxes | 1,439 | 965 |
| Amortization & depreciation | 4,657 | 3,183 |
| Provisions for risks, receivables and inventories | 0 | 0 |
| Change in employee benefits | 106 | 123 |
| Financial income/(charges) | 2,004 | 845 |
| Exchange gains/(losses) | (27) | 54 |
| Costs for share-based payments | 396 | 945 |
| **Cash flow before working capital changes** | **11,829** | **8,342** |
| Change in trade receivables | (6,213) | (4,365) |
| Change in inventories | (89) | (11,965) |
| Change in trade payables | (990) | (3,029) |
| Other changes in tax receivables and payables | (245) | (4,767) |
| Other changes in current receivables and payables | (2,046) | (3,433) |
| Other changes in non-current receivables and payables | (575) | (253) |
| Use of provisions for risks, receivables and inventories | 0 | 0 |
| Interest collected | 61 | 8 |
| Interest paid | (588) | (170) |
| Exchange gains/(losses) realized | 268 | (157) |
| Income taxes paid | 0 | 0 |
| **Cash flow from operating activities (A)** | **1,412** | **(19,789)** |
| (Investments) /Disposals of property, plant and equipment | (1,039) | 335 |
| (Investments) /Disposals of intangible assets | (3,700) | (4,134) |
| (Investments) /Disposals of financial assets | 58 | (25) |
| Acquisition of business units net of cash and cash equivalents | 0 | 0 |
| Acquisition of subsidiaries net of cash and cash equivalents | 0 | 0 |
| **Cash flow from investing activities (B)** | **(4,681)** | **(3,824)** |
| New loan drawdowns | 0 | 0 |
| (Repayment) of bank loans | (33) | (1,640) |
| Change in current financial liabilities | 540 | 8,776 |
| Repayment lease liabilities | (474) | (352) |
| Dividends paid | 0 | 0 |
| Paid-in capital increase | 266 | (203) |
| Acquisition of treasury shares | 0 | (5,311) |
| Acquisition of shares from minorities | (140) | (230) |
| **Cash flows from financing activities (C)** | **159** | **1,040** |
| **Increase (decrease) in cash and cash equivalents (A+B+C)** | **(3,110)** | **(22,573)** |
| **Cash & cash equivalents at beginning of period** | 39,586 | 58,825 |
| Conversion differences | (427) | 503 |
| **Cash & cash equivalents at end of period** | **36,049** | **36,755** |

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## Consolidated Statement of Changes in Equity

| | 01/01/2023 | Share capital increase | Allocation result | Dividends paid | Other movements | Comprehensive Profit/(Loss) | 31/03/2023 |
|---|---|---|---|---|---|---|---|
| Share capital | 1,154 | 1 | 0 | 0 | 0 | 0 | 1,155 |
| Legal reserve | 289 | 0 | 0 | 0 | 0 | 0 | 289 |
| Share premium reserve | 168,543 | 0 | 0 | 0 | 394 | 0 | 168,937 |
| Other reserves | 34,365 | 0 | 11,039 | 0 | 345 | 0 | 45,749 |
| Translation reserve | 545 | 0 | 0 | 0 | 0 | (405) | 141 |
| FTA Reserve | (371) | 0 | 0 | 0 | 0 | 0 | (371) |
| Discounting employee benefits | 215 | 0 | 0 | 0 | 0 | 0 | 215 |
| Group Net Profit | 11,039 | 0 | (11,039) | 0 | 0 | 2,564 | 2,564 |
| **Group Equity** | **215,779** | **1** | **0** | **0** | **739** | **2,159** | **218,679** |
| Minorities Equity and Reserves | 17,250 | 0 | 3,530 | 0 | (219) | (138) | 20,423 |
| Discounting employee benefits | (7) | 0 | 0 | 0 | 0 | 0 | (7) |
| Non-controlling interests profit | 3,530 | 0 | (3,530) | 0 | 0 | 690 | 690 |
| **Total Minorities Equity** | **20,774** | **0** | **0** | **0** | **(219)** | **552** | **21,107** |
| **Total Equity** | **236,553** | **1** | **0** | **0** | **520** | **2,711** | **239,786** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Total Non-Current Assets

Non-Current Assets increased from Euro 314,985 thousand to Euro 315,756 thousand (+Euro 771 thousand). This movement mainly followed:

- increase in Intangible assets for Euro 586 thousand, following the capitalization of costs for Research and Development projects incurred in the period;
- increase in Other non-current assets for Euro 879 thousand. The account mainly includes the tax receivable due beyond one year for Industry 4.0 capital goods and for research and development.
- Decrease in the Right-of-use account of Euro 449 thousand, due to depreciation in Q1 2023

### (2) Total Current Assets

Current Assets increased from Euro 180,243 thousand to Euro 183,878 thousand (+Euro 3,635 thousand). This movement mainly followed:

- increase in Trade Receivables of Euro 6,337 thousand, as a combined effect of increased revenue from both long-standing and recently-acquired customers;
- decrease in Tax Receivables of Euro 251 thousand. This is mainly due to the tax credit within one year for Industry 4.0 capital goods for research and development;
- increase in Other Receivables of Euro 997 thousand, due mainly to the increase in advances to suppliers.
- decrease in cash and cash equivalents of Euro 3,537 thousand. This mainly follows the outlay for the materials to ensure the regular execution of the Group's production cycle. For further details, reference should be made to the cash flow statement.

### (3) Total Group Equity

Equity of Euro 218,679 thousand at March 31, 2023 increased by Euro 2,900 thousand, due to the combined effect of the increase in the share premium reserve (Euro 394 thousand, mainly due to the exercise of Stock Options by beneficiaries) and of Other reserves (Euro 10,980 thousand, increasing mainly due to the allocation to the prior year’s retained earnings) and the comprehensive income in the period, amounting to Euro 2,564 thousand in Q1 2023.

### (4) Total Non-Current Liabilities

Total Non-current Liabilities decreased from Euro 165,438 thousand to Euro 164,778 thousand (-Euro 660 thousand). This movement was mainly due to:

- increase in Deferred tax liabilities of Euro 333 thousand. This is mainly due to the recognition of deferred taxes on research and development capitalizations by the subsidiary Fannal;
- decrease of Non-current financial liabilities of Euro 675 thousand, mainly due to the repayment of loan instalments in the period;
- decrease in Non-current lease liabilities of Euro 365 thousand. 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.

### (5) Total Current Liabilities

Total current liabilities increased from Euro 93,236 thousand to Euro 95,070 thousand (+Euro 1,834 thousand), mainly due to:

- increase in Current financial liabilities for Euro 1,968 thousand, mainly due to the higher accrual compared to December 31, 2022 of interest in the period on Group medium/long-term loans.

### (6) Revenues and operating income

Net sales rose from Euro 42,758 thousand in 2022 to Euro 54,605 thousand in 2023, increasing 27.71% on the same period of the previous year. Reference should be made to the “Sales revenues by region” paragraph below for further details.

Other revenues and income totaled Euro 1,115 thousand in Q1 2023, mainly concerning the parent company Seco S.p.A., which specifically reports revenues for:

- The operating grant tax credit for the purchase by SECO S.p.A. of capital goods under “Industry 4.0” amounting to Euro 347 thousand;
- Revenues from hardware lease fees of Euro 209 thousand;
- The operating grant tax credit for research and development amounting to Euro 230 thousand;
- Pro-rata contribution relating to the participation of the Group in the European EUPEX Tender for Euro 108 thousand;

**(7) Costs and other operating charges**

Costs for services, goods and other operating costs totaled Euro 35,206 thousand, increasing Euro 6,916 thousand on the same period of the previous year. This is due to the combined effect of:

- increase in the cost of raw materials, ancillaries, consumable and goods and the increase in inventories of Euro 5,996 thousand, deriving from the higher purchase volumes due to the significant increase in revenue and the general increase in component supply costs as a result of delays and procurement difficulties throughout the supply chain;
- increase in service costs of Euro 382 thousand on the same period of the previous year, improving their percentage of revenue by 2%;
- increase in other operating costs of Euro 538 thousand compared to the same period of the previous year.

Personnel costs rose Euro 1,020 thousand on the same period of the previous year. This was less proportional than the increase in revenues, thanks to the operating leverage effect.

**(8) Amortization and Depreciation**

Amortization and depreciation in the period of Euro 4,675 thousand rose Euro 1,475 thousand on the same period of the previous year, due to the investments made in the period.

# OPERATING PERFORMANCE TO MARCH 31, 2023

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

Sales revenues were up 27.71%, while other operating revenues and income rose 14.63%.

## Sales revenues by region

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

| | 31/03/2023 | 31/03/2022 | Changes | % |
|---|---|---|---|---|
| EMEA | 42,661 | 34,851 | 7,810 | *22.41%* |
| *of which Italy* | *21,043* | *18,446* | *2,597* | *14.08%* |
| USA | 6,925 | 5,274 | 1,651 | *31.30%* |
| APAC | 4,508 | 1,784 | 2,724 | *152.66%* |
| Rest of the world | 510 | 848 | (338) | *-39.84%* |
| **Revenues by region** | **54,605** | **42,758** | **11,847** | **27.71%** |

Revenues rose from Euro 42,758 thousand in 2022 to Euro 54,605 thousand in 2023, increasing 27.71% on the previous year. This follows growth in every region in which the Group operates compared to the same consolidation scope in the previous year.

Specifically, revenue growth was concentrated:

- in EMEA, for an increase of Euro 7,810 thousand (+22.41%), driven by growing sales volumes to long-standing Group customers, principally on the domestic market (Italy) and in Germany, in which the partnerships established with new customers in the second half of 2022 were consolidated;
- in the United States, with an increase of Euro 1,651 thousand (+31.30%), as a result of the growth of sales volumes to long-standing customers;
- in the APAC region, with an increase of Euro 2,724 thousand (+152.66%), mainly due to consistent revenue growth from the sale of touch screens and TFT's, in addition to the acquisition of new customers;
- in the Rest of the World region the Group saw a contraction in revenues (-Euro 338 thousand), based on the demand cycle among Latin American customers.

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## Alternative operating performance measures

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

| | 31/03/2023 | 31/03/2022 | Change | Change % |
|---|---|---|---|---|
| Total revenues and operating income | 55,720 | 43,730 | 11,989 | 27.42% |
| Costs for services, goods and other operating costs (*) | (35,179) | (28,344) | (6,835) | 24.12% |
| Personnel costs | (9,187) | (8,167) | (1,020) | 12.49% |
| **EBITDA** | **11,354** | **7,220** | **4,134** | **57.26%** |

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

The increase between the two periods (Euro 4,134 thousand, +57.26%) is due to the improved gross margin, i.e. the difference between revenues and the sum of costs for raw materials, ancillaries, consumables and goods and the changes in inventories (Euro 5,851 thousand, +29.10%), partially offset by the increase in: i) service costs and other operating costs, whose percentage of revenue improved 1% on the same period of the previous year; ii) the increase in personnel costs, which rose less proportionally than revenues, improving as a percentage of revenues by 2% thanks to operating leverage.

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

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

| | 31/03/2023 | 31/03/2022 | Change | Change % |
|---|---|---|---|---|
| **EBITDA** | **11,354** | **7,220** | **4,134** | **57.26%** |
| Exchange gains/(losses) | (27) | 54 | (81) | -149.98% |
| Income/charges from non-core business activities | 646 | 1,274 | (628) | -49.29% |
| Non-recurring income/charges from core business activities | 21 | 23 | (2) | -7.62% |
| ***Adjusted EBITDA*** | **11,994** | **8,571** | **3,423** | **39.94%** |

The Group reports Q1 2023 Adjusted EBITDA of Euro 11,994 thousand, up 39.94% on the same period of the previous year.

The income/charges from non-core business activities of Euro 646 thousand mainly concerns for Euro 396 thousand the actuarial value of the Stock Option plan granted to Group managers and for Euro 250 thousand non-core business transaction charges.

## Alternative financial performance measures

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

A breakdown of the net financial debt at March 31, 2023 and December 31, 2022 is provided below.

At March 31, 2023, the Group net financial debt was Euro 133,802 thousand, compared to Euro 128,803 thousand at December 31, 2022.

| | 31/03/2023 | 31/12/2022 | Change | Change % |
|---|---|---|---|---|
| A. Cash | 18 | 15 | 3 | 21.10% |
| B. Cash equivalents | 36,031 | 39,570 | (3,539) | -8.94% |
| C. Other current financial assets | 0 | 0 | 0 | 0.00% |
| **D. Cash and cash equivalents (A) + (B) + (C)** | **36,049** | **39,586** | **(3,537)** | **-8.94%** |
| E. Current financial debt | (25,253) | (23,394) | (1,859) | 7.95% |
| F. Current portion of the non-current debt | (10,348) | (9,705) | (642) | 6.62% |
| **G. Current financial debt (E)+(F)** | **(35,601)** | **(33,099)** | **(2,502)** | **7.56%** |
| **H. Net current financial debt (G) + (D)** | **448** | **6,487** | **(6,039)** | **-93.09%** |
| I. Non-current financial debt | (134,250) | (135,290) | 1,040 | -0.77% |
| 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)** | **(134,250)** | **(135,290)** | **1,040** | **-0.77%** |
| **M. Total financial debt (H) + (L)** | **(133,802)** | **(128,803)** | **(4,999)** | **3.88%** |

The net financial debt overall increased by Euro 4,999 thousand, mainly due to: i) a reduction in cash and cash equivalents following reduced use by the Group of receivables factoring, due to the increase in interest rates; ii) a higher provision for financial charges on medium/long-term debt of Euro 1,477 thousand.

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

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

The Adjusted net financial debt was Euro 123,953 thousand at March 31, 2023, compared to Euro 118,842 thousand at December 31, 2022. The increase is due mainly to the effects analyzed in the previous paragraph and a combined effect of: i) the higher VAT receivable at March 31, 2023 compared to the previous year; ii) the decrease in current and non-current lease liabilities.

| | 31/03/2023 | 31/12/2022 | Change | Change % |
|---|---|---|---|---|
| **Net financial debt** | **(133,802)** | **(128,803)** | **(4,999)** | **3.88%** |
| **(+)** VAT receivables | 2,527 | 2,166 | 361 | 16.65% |
| **(-)** Current lease liabilities | (1,610) | (1,719) | 109 | -6.33% |
| **(-)** Non-current lease liabilities | (5,712) | (6,077) | 365 | -6.01% |
| **(-)** Derivative financial instruments | 0 | 0 | 0 | 0.00% |
| **Adjusted net financial debt** | **(123,953)** | **(118,842)** | **(5,112)** | **4.30%** |

## SUBSEQUENT EVENTS

On April 3, 2023, a paid-in divisible share capital increase for a maximum nominal Euro 65 million, including share premium, was announced, through the issue of a maximum 13,859,276 SECO ordinary shares, equal to approx. 10.45% of the share capital post-dilution, reserved to 7-Industries, with the exclusion of option rights as per Article 2441, fifth paragraph of the Civil Code.

Founded in 2007, 7-Industries is Ruthi Wertheimer's family office, specializing in minority investments with a long-term horizon in innovative, high-tech entrepreneurial or family-owned companies, listed on the Italian and European stock markets.

The closing of the first tranche of the transaction took place on April 6, with the subscription and payment of Euro 56.3 million, including share premium, against the issuance of 11,998,179 ordinary shares of SECO.

In addition, 7-Industries purchased 355,366, 355,366 and 355,366 ordinary SECO shares from DSA S.r.l., HSE S.r.l. and HCS S.r.l., respectively.

As a result of the above transactions, 7-Industries' stake in SECO's share capital is 9.99%. Upon obtaining the necessary approvals for the closing of the second tranche, 7-Industries will hold an 11.25% stake in the post-dilution share capital.

Consistent with its long-term investment strategy, 7-Industries has made a commitment to the Company that it will not dispose of the SECO shares, whether subscribed or purchased, during the 24 months following the closing date of the first tranche of the Share Capital Increase and Sale.

## OUTLOOK

The expansion of SECO’s customer base in 2022 continued and further drove growth. The order intake and order backlog levels, in addition to the new projects that will enter mass production and the major technological and product developments that SECO will continue to introduce in the remainder of 2023, all point to further strong Group organic growth.

More specifically, significant benefits are expected to come from the uptake of CLEA, 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 by existing and new customers.

While the marketplace - still impacted by the protracted component shortages (with a progressive improvement however in delivery times) - is complicated by a challenging general economic environment, the factors outlined above, combined with SECO's strategic positioning and order backlog, the order intake in the first part of the year and the amount of ongoing negotiations, create confidence for the rest of 2023.

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