

SECO

SECO S.p.A.

QUARTERLY FINANCIAL REPORT AT SEPTEMBER 30, 2023

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,296,823.04
VAT No. 00325250512
Arezzo Companies' Registration No. 4196

CONTENTS

CONTENTS.....	2
CORPORATE BOARDS	3
THE GROUP AND ITS OPERATIONS	4
CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT AT SEPTEMBER 30, 2023 ...	9
Consolidated Balance Sheet.....	9
Consolidated Income Statement	10
Consolidated Comprehensive Income Statement	11
Consolidated Cash Flow Statement.....	12
Consolidated Statement of Changes in Equity	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	14
9M 2023 OPERATING PERFORMANCE	17
Sales revenues by region.....	17
Alternative operating performance measures.....	17
Alternative financial performance measures	18
SUBSEQUENT EVENTS.....	20
OUTLOOK.....	20

CORPORATE BOARDS

Board of Directors

Office held until the approval of the 2023 annual accounts

<u>Chairperson</u>	Daniele Conti
<u>Chief Executive Officer</u>	Massimo Mauri
<u>Directors</u>	Claudio Catania
	Emanuela Sala
	Luca Tufarelli
	Luciano Lomardini
	Michele Secciani
	Elisa Crotti
	Valentina Montanari ¹
	Diva Tommei
	Tosja Zywietz

Board of Statutory Auditors

Office held until the approval of the 2023 annual accounts

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

Executive Officer for Financial Reporting Lorenzo Mazzini

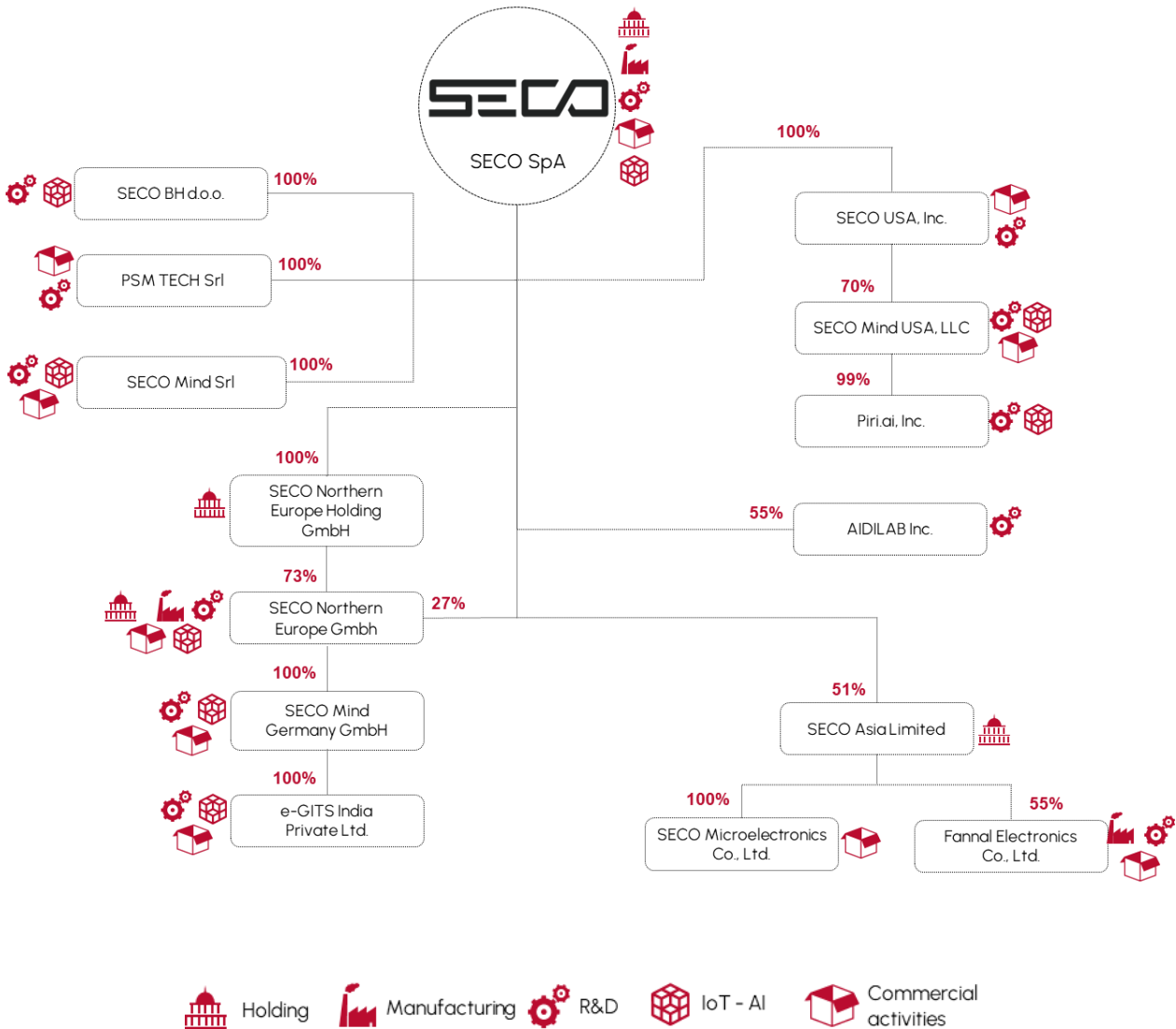
Independent Audit Firm Deloitte & Touche S.p.A.

¹ Co-opted by the Board of Directors on December 22, 2022, to replace Ms. 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.

Office held until the approval of the 2029 annual accounts

THE GROUP AND ITS OPERATIONS

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



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

SECO is a high-tech enterprise that develops and delivers cutting-edge solutions for the digitization of industrial products and processes. SECO's hardware and software offerings enable B2B enterprises to introduce edge computing, Internet of Things, data analytics and artificial intelligence into their businesses. Within a quickly and broadly evolving marketplace, SECO's technologies encompass many fields of application, with innovative and customized solutions provided to its more than 450

customers, in sectors such as the Medical, Industrial Automation, Fitness, Vending and Transportation areas, in addition to many others.

The company Aidilab Inc. is inactive.

MARKET OVERVIEW

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

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

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

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 dynamics, 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 development of new Edge Computing products and new CLEA (the proprietary IoT-AI software platform) functionalities continued in the first nine months of the year. 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.

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 Holding B.V. ("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 transaction was completed in two tranches, respectively on April 6 and June 13, 2023, with the subscription and payment of Euro 65 million, including share premium, against the issue of 13,859,276 ordinary SECO shares. 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 these transactions, 7-Industries' stake in SECO's share capital is 11.23% at June 30, 2023. 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.

As part of the agreement with the new shareholder 7-Industries, SECO's Board of Directors also co-opted Mr. Tosja Zywietz as a Director. Mr. Zywietz has held senior executive positions in several leading German industrial companies with revenues in the multi-billions, operating in the industrial sensors and connectors fields.

Also in April, SECO announced the launch of CLEA Store, a CLEA-based framework developed to accelerate the delivery to end users of value-added data analytics and AI services. Equipped with distribution and billing capabilities, CLEA Store is a technological infrastructure that enables companies to build a marketplace of own-brand services, allowing them to offer applications developed in-house or by third parties and make them available to users of their products. Based on a revenue share mechanism with its user customers, CLEA Store provides an opportunity for them to define new servitized business models with their customers and introduce a source of recurring revenue to their revenue mix.

On July 13, 2023, Seco Spa acquired the shares held by the minority shareholders of Seco Mind Srl. The latter received Seco ordinary shares as consideration. As a result of this transaction, Seco Mind S.r.l. is fully held by Seco S.p.A.

Research and Development and Technological Innovation

In the first nine months of 2023, SECO remained strongly committed to ensuring high levels of innovation, integration and added value in the solutions built according to the specific needs of customers operating in multiple verticals.

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 8 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 September 30, 2023, the SECO S.p.A. (IOT:MI) stock price was Euro 4.15, with a capitalization therefore of Euro 552.3 million.

CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT AT SEPTEMBER 30, 2023

Consolidated Balance Sheet

	Note	30/09/2023	31/12/2022
Property, plant and equipments		16,675	17,095
Intangible assets		103,368	102,044
Right-of-Use		10,512	8,986
Goodwill		165,565	165,508
Non-current financial assets		16,514	17,431
Deferred tax assets		2,602	2,516
Other non-current assets		2,831	1,406
Total Non-Current Assets	(1)	318,067	314,985
Inventories		80,739	83,277
Trade receivables		58,017	49,233
Current tax assets		5,008	4,696
Other receivables		4,314	3,450
Cash and cash equivalents		72,630	39,586
Total Current Assets	(2)	220,708	180,243
TOTAL ASSETS		538,775	495,228
Share capital		1,296	1,154
Share premium reserve		230,330	168,543
Reserves		49,454	35,043
Group Net Profit		9,665	11,039
Total Group Equity	(3)	290,745	215,779
Minorities Equity and Reserves		19,472	17,244
Minorities profit for the period		2,825	3,530
Minorities Equity		22,297	20,774
Total Equity		313,042	236,553
Employee benefits		3,064	2,827
Provisions for risks		1,484	1,402
Deferred tax liabilities		25,306	25,911
Non-current financial liabilities		110,981	129,213
Non-current lease liabilities		7,664	6,077
Other non-current liabilities		8	8
Total Non-Current Liabilities	(4)	148,507	165,438
Current financial liabilities		13,793	21,675
Current part of N-C financial liabilities		10,658	9,705
Current lease liabilities		1,824	1,719
Trade payables		34,186	44,009
Other payables		9,902	12,257
Current tax liabilities		6,863	3,871
Total Current Liabilities	(5)	77,226	93,236
TOTAL EQUITY AND LIABILITIES		538,775	495,228

Consolidated Income Statement

	Note	9M 2023	9M 2022
Net sales		162,115	144,759
Other revenues and income		2,403	3,470
Total revenues and operating income	(6)	164,518	148,229
Costs for services, goods and other operating costs		(100,093)	(92,865)
Personnel costs		(29,041)	(25,928)
Total costs and other operating charges	(7)	(129,134)	(118,794)
Amortization & depreciation	(8)	(14,478)	(9,861)
Provisions and write-downs		24	0
Operating Profit		20,930	19,574
Financial income and charges		(4,816)	(3,098)
Exchange gains/(losses)		1,091	489
Profit before tax		17,205	16,966
Income taxes		(4,715)	(4,945)
Net profit for the period		12,490	12,022
Minorities profit		2,825	3,122
Group profit		9,665	8,899
Basic earnings per share		0.08	0.08
Diluted earnings per share		0.07	0.08

Consolidated Comprehensive Income Statement

	9M 2023	9M 2022
Net profit for the period	12,490	12,022
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:	(1,635)	10,127
Translation differences	(1,006)	2,116
Net gain/(loss) on Cash Flow Hedge	(629)	8,012
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	(1,635)	10,127
Minority shareholders	2,164	4,100
Parent company shareholders	8,691	18,049
Total comprehensive income	10,855	22,149

Consolidated Cash Flow Statement

	30/09/2023	30/09/2022
Net profit for the period	12,490	12,022
Income taxes	4,715	4,945
Amortization & depreciation	14,478	9,861
Provisions for risks, receivables and inventories	0	0
Change in employee benefits	237	337
Financial income/(charges)	4,816	3,098
Exchange gains/(losses)	(1,091)	(489)
Costs for share-based payments	1,150	1,722
Cash flow before working capital changes	36,795	31,495
Change in trade receivables	(8,292)	(7,549)
Change in inventories	2,538	(28,275)
Change in trade payables	(10,901)	7,068
Other changes in tax receivables and payables	(715)	(854)
Other changes in current receivables and payables	(3,136)	(2,164)
Other changes in non-current receivables and payables	(1,918)	(1,250)
Use of provisions for risks, receivables and inventories	0	0
Interest collected	1,351	15
Interest paid	(3,360)	(1,975)
Exchange gains/(losses) realized	1,027	388
Income taxes paid	(1,319)	0
Cash flow from operating activities (A)	12,069	(3,100)
(Investments) /Disposals of property, plant and equipment	(5,828)	(1,694)
(Investments) /Disposals of intangible assets	(11,026)	(9,935)
(Investments) /Disposals of financial assets	162	(599)
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)	(16,693)	(12,229)
New loan drawdowns	0	0
(Repayment) of bank loans	(17,279)	(5,911)
Change in current financial liabilities	(10,640)	6,477
Repayment lease financial liabilities	1,639	(1,285)
Dividends paid	0	0
Paid-in capital increase	64,656	(684)
Acquisition of treasury shares	0	(5,311)
Acquisition of shares from minorities	(173)	(230)
Cash flows from financing activities (C)	38,203	(6,944)
Increase (decrease) in cash and cash equivalents (A+B+C)	33,579	(22,273)
Cash & cash equivalents at beginning of period	39,586	58,825
Conversion differences	(535)	978
Cash & cash equivalents at end of period	72,630	37,530

Consolidated Statement of Changes in Equity

	01/01/2023	Share capital increase	Allocation result	Dividends paid	Other movements	Comprehensive Profit/(Loss)	30/09/2023
Share capital	1,154	143	0	0	0	0	1,296
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	168,543	63,295	0	0	(1,508)	0	230,330
Other reserves	34,365	0	11,039	0	4,352	(629)	49,126
Translation reserve	545	0	0	0	0	(345)	201
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	215	0	0	0	(7)	0	209
Group Net Profit	11,039	0	(11,039)	0	0	9,665	9,665
Group Equity	215,779	63,438	0	0	2,837	8,691	290,745
Minorities Equity and Reserves	17,250	0	3,530	0	(648)	(661)	19,472
Discounting employee benefits	(7)	0	0	0	7	0	0
Minorities profit	3,530	0	(3,530)	0	0	2,825	2,825
Minorities Equity	20,774	0	0	0	(642)	2,164	22,297
Total Equity	236,553	63,438	0	0	2,196	10,855	313,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Total non-current assets

Non-Current Assets increased from Euro 314,985 thousand to Euro 318,067 thousand (+Euro 3,082 thousand). This movement mainly followed:

- increase in Intangible assets for Euro 1,324 thousand, following the capitalization of costs for Research and Development projects incurred in the period;
- increase in the right-of-use of Euro 1,526 thousand, mainly due to new lease agreements in Seco Mind S.r.l. and Seco USA.
- increase in Other non-current assets for Euro 1,425 thousand. The account mainly includes the tax receivable due beyond one year for Industry 4.0 capital goods and for research and development.

(2) Total current assets

Current Assets increased from Euro 180,243 thousand to Euro 220,708 thousand (+Euro 40,466 thousand). This movement mainly followed:

- decrease in inventories for Euro 2,538 thousand. Inventory levels were substantially stable on December 31, 2022. The percentage of inventories to business volumes however reduced thanks to the latter's increase;
- increase in Trade Receivables for Euro 8,784 thousand. This increase is mainly attributable to the increase in sales, which is a result of both increased volumes from the Group's existing customers and the acquisition of new customers;
- Increase in cash and cash equivalents for Euro 33,044 thousand. In April 2023, two new restricted deposit accounts were opened for Euro 30 million, with maturities respectively of 6 and 9 months. These deposits were considered as cash equivalents as per IAS 7. For further details, reference should be made to the cash flow statement.

(3) Total Group Equity

Equity of Euro 290,745 thousand at September 30, 2023 increased overall by Euro 74,966 thousand, due to the combined effect of the increase in the Share premium reserve for Euro 61,787 thousand, mainly due to the share capital increase by 7-Industries (Euro 65,000 thousand, of which Euro 139 thousand to share capital and the residual Euro 64,861 thousand to the share premium reserve), the increase of other reserves for Euro 14,411 thousand, mainly due to the allocation to the prior year profit reserve and the use of treasury shares in portfolio to acquire the entirety of the shares of Seco Mind Srl, and the comprehensive profit for the period of Euro 9,665 thousand for the first nine months of 2023.

(4) Total non-current liabilities

Total Non-current Liabilities decreased from Euro 165,438 thousand to Euro 148,507 thousand (-Euro 16,931 thousand). This movement was mainly due to:

- decrease of Non-current financial liabilities of Euro 18,232 thousand, mainly due to the repayment of loan instalments in the period;
- increase in Non-current lease liabilities of Euro 1,587 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 decreased from Euro 93,236 thousand to Euro 77,226 thousand (-Euro 16,010 thousand), mainly due to:

- the decrease in Current financial liabilities of Euro 7,882 thousand. The account includes credit lines, current account overdrafts, credit card payables, payables for advances on invoices and short-term loans falling due within one year for operational purposes existing at September 30, 2023.
- decrease in Trade Payables of Euro 9,823 thousand, mainly due to the gradual decrease in average procurement times.

(6) Revenues and operating income

Net sales rose from Euro 144,759 thousand in 2022 to Euro 162,115 thousand in 2023, increasing 11.99% 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 2,403 thousand in 9M 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 365 thousand;
- The operating grant tax credit for research and development amounting to Euro 659 thousand;
- Pro-rata contribution relating to the participation of the Group in the European EUPEX Tender for Euro 324 thousand;

(7) Costs and other operating charges

Costs for services, goods and other operating costs totaled Euro 100,093 thousand, increasing Euro 7,228 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, net of the change in inventories of Euro 5,166 thousand, deriving from the higher purchase volumes due to the increase in revenue in the period;
- increase in service costs of Euro 468 thousand on the same period of the previous year;
- increase in other operating costs for Euro 1,594 thousand on the same period of the previous year, related mainly to the increase in Group revenues during the period and the increase in costs for prototypes for R&D projects in progress, and of the commercial costs related to the award of new development projects.

Personnel costs rose Euro 3,113 thousand on the same period of the previous year. The movement in the period mainly concerns the expansion of the Group workforce in view of the new hires necessary to execute the R&D, production and sales development plans.

(8) Amortization and Depreciation

Amortization and depreciation in the period of Euro 14,478 thousand rose Euro 4,617 thousand on the same period of the previous year.

9M 2023 OPERATING PERFORMANCE

Despite the complex general economic environment, featuring the restrictive economic policies applied by central banks, which have begun to reduce the global demand for goods, the Group returned significant revenue growth compared to the same period of the previous year.

Sales revenues were up 11.99% on the first nine months of 2022.

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:

	9M 2023	9M 2022	Changes	%
EMEA	126,363	112,706	13,658	12.12%
of which Italy	57,477	57,289	187	0.33%
USA	21,965	19,020	2,945	15.48%
APAC	13,265	9,768	3,498	35.81%
Rest of the world	521	3,265	(2,744)	-84.05%
Revenues by region	162,115	144,759	17,356	11.99%

Revenues rose from Euro 144,759 thousand in 2022 to Euro 162,115 thousand in 2023, increasing 11.99% 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 13,658 thousand (+12.12%), driven by growing sales volumes to long-standing Group customers, principally on the German, Swiss and British markets;
- in the United States, with an increase of Euro 2,945 thousand (+15.48%), as a result of the growth of sales volumes to long-standing customers;
- in the APAC region, with an increase of Euro 3,498 thousand (+35.81%), mainly due to consistent revenue growth from the sale of touch screens and TFT's, in addition to the acquisition of new customers.

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.

	9M 2023	9M 2022	Change	Change %
Total revenues and operating income	164,518	148,229	16,289	10.99%
Costs for services, goods and other operating costs (*)	(98,978)	(92,376)	(6,602)	7.15%
Personnel costs	(29,041)	(25,928)	(3,113)	12.00%
EBITDA	36,499	29,925	6,574	21.97%

(*) 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 6,574 thousand, +21.97%) is due to the increase in sales revenue, a reduction in the proportion of raw material costs and the exploitation of operating leverage on other operating costs and personnel costs.

Adjusted EBITDA - Adjusted EBITDA is a measure to assess the Group's operating performance. 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.

	9M 2023	9M 2022	Change	Change %
EBITDA	36,499	29,925	6,574	21.97%
Exchange gains/(losses)	(1,091)	(489)	(602)	122.95%
Income/charges from non-core business activities	1,872	2,520	(648)	-25.71%
Non-recurring income/charges from core business activities	21	104	(83)	-79.83%
Adjusted EBITDA	37,301	32,059	5,242	16.35%

The Group reports 9M 2023 Adjusted EBITDA of Euro 37,301 thousand, up 16.35% on the same period of the previous year.

Income from non-core business activities of Euro 1,872 thousand mainly concerns the allocation of Stock Options to managers and directors for Euro 1,150 thousand, for Euro 407 thousand the issue of the "Retention Bonus" to personnel of the subsidiary SECO USA Inc., remaining at the company at December 31, 2022 compared to the personnel employed at the company's acquisition date (February 2020).

Alternative financial performance measures

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

A breakdown of the net financial debt at September 30, 2023 and December 31, 2022 is provided below.

At September 30, 2023, the Group net financial debt was Euro 72,290 thousand, compared to Euro 128,803 thousand at December 31, 2022.

	30/09/2023	31/12/2022	Change	Change %
A. Cash	20	15	5	31.52%
B. Cash equivalents	72,611	39,570	33,041	83.50%
C. Other current financial assets	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	72,631	39,586	33,045	83.47%
E. Current financial debt	(15,617)	(23,394)	7,777	-33.24%
F. Current portion of the non-current debt	(10,658)	(9,705)	(953)	9.82%
G. Current financial debt (E)+(F)	(26,275)	(33,099)	6,824	-20.62%
H. Net current financial debt (G) + (D)	46,356	6,487	39,869	614.58%
I. Non-current financial debt	(118,645)	(135,290)	16,645	-12.30%
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)	(118,645)	(135,290)	16,645	-12.30%
M. Total financial debt (H) + (L)	(72,290)	(128,803)	56,513	-43.88%

The net financial debt overall decreased by Euro 56,513 thousand, mainly due to the share capital increase by 7-Industries Holding B.V..

The liquidity raised by this transaction allowed for the early repayment of a Euro 12.7 million loan and the setting up of two deposit accounts for a total of Euro 30 million, restricted for 6 and 9 months and considered as cash equivalents as per IAS 7.

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 59,674 thousand at September 30, 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 September 30, 2023 compared to the previous year; ii) the decrease in current and non-current lease liabilities.

	30/09/2023	31/12/2022	Change	Change %
Net financial debt	(72,290)	(128,803)	56,513	-43.88%
(+) VAT receivables	3,128	2,166	962	44.42%
(-) Current finance lease liabilities	(1,824)	(1,719)	(105)	6.12%
(-) Non-current finance lease liabilities	(7,664)	(6,077)	(1,587)	26.12%
(-) Derivative financial instruments	0	0	0	0.00%
Adjusted net financial debt	(59,674)	(118,842)	59,168	-49.79%

SUBSEQUENT EVENTS

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

OUTLOOK

Despite signs of general economic slowdown, amid the still sustained levels of inflation and high interest rates, SECO's strategic positioning, together with the extent of its backlog, create confidence for the remainder 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.