SECO

Annual Report
at December 31, 2023

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SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital Euro 1,296,944.48
VAT No. 00325250512
Arezzo Companies' Registration No. 4196

CONTENTS

Letter to the Shareholders

Dear Shareholders,

although over the preceding two years the raw materials and electronic components shortage drove companies to boost inventories in view of significantly longer lead times, 2023 saw supply chain conditions gradually improve. Within a general economic environment featuring inflation and tight monetary policy, the normalizing of delivery times has resulted in a destocking by customers. In many sectors, this had already been completed by early 2024.

Over recent years, we have worked hard to strengthen SECO's competitive advantage by investing heavily in R&D and by acquiring strategic technologies to cover the entire value chain, from Edge computing to IoT-data analytics, to AI. This has led to a unique technological positioning, enabling us to deliver a best-in-class performance, even within a complex marketplace. In 2023, we reached Euro 209 million in sales, delivering organic growth of +4%. The continued expansion of the software business, with over Euro 22 million just over two years from its launch, has also contributed to our improved margins, with Adjusted EBITDA of approx. Euro 50.6 million (24.1% of revenues).

With the goal of transferring more added value to customers, our strategy has evolved over time, shifting toward increasingly comprehensive hardware solutions and developing a range of cutting-edge software for IoT-data analytics-AI. A consistent focus on innovation, an ever-improving range, supply chain control and in-house production are the key factors that allow us - year after year - to ensure our position as a partner of choice for our customers.

Digitalization has created a huge space to explore and is behind changing demands among businesses. Edge computing is not just about making hardware that can run software on a device, but rather making it smart and interconnected, to make products available to end users with a human-machine interface that simplifies interaction and improves the user experience. The use of dedicated IoT software platforms makes it possible to benefit from real-time data analysis to design new AI-powered features and services and establish new recurring-revenue business models.

To address these needs, we are building a product line based on AI accelerators, to increase computing power directly on the device, and working on generative AI and Large Language Model techniques - all with a view to enabling instantaneous and offline data analysis, but also to facilitate smoother interaction with the machine. A wide range of hardware solutions, touch displays and software services position SECO perfectly to design integrated plug-and-play systems with reduced time-to-market.

2023 saw us strengthen our long-term collaborations with a number of the leading silicon vendors, including Intel and NXP, and initiate relationships with new partners, such as Axelera on the computer vision front and Mediatek; in addition, we were selected by Qualcomm as an IIoT design center partner and for participation in the IoT Accelerator Program. We have established a relationship with Google Cloud, enabling us to integrate Clea, our IoT software suite, into the Google Cloud Marketplace, ensuring that it is readily available and expanding its distribution channels.

We also always look to the future when it comes to the quality and efficiency of our industrial processes. We have therefore continued to invest in the latest equipment and software, while the use of SAP has been extended to companies in Germany. The adoption of a single information system further accelerates the integration of the acquired entities, which is already proceeding apace, facilitating the generation of major synergies and the maximization of the assets' potential. In just two years since the acquisition, revenues in the DACH area have almost doubled.

Acting responsibly is an integral part of the corporate culture, shared and promoted by our people. For us, sustainability means not only efficiently employing natural resources in all our activities, but more importantly using our technology - and in particular Artificial Intelligence - to promote business models with lower environmental impact, fostering automation, optimizing consumption and reducing waste by accurately and instantaneously monitoring the operation of on-field devices.

The eco-digital revolution is just beginning and major growth opportunities await us given the strong demand for digital products and solutions, in which the role of AI will be fundamental, enabling the local execution of increasingly complex computational models. Edge AI will allow our customers to launch new value-added services by fully exploiting the potential of field data: this is the environment that we envision and which guides our strategic decisions.

We look to the future with great enthusiasm, in the confidence that SECO has built a unique technology proposition on the market, capable of best tapping into the needs of companies in key areas such as Edge AI, IoT, data analytics and artificial intelligence. We believe this will result in significant value creation for customers, shareholders and all 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
	Tosja Zywietz

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

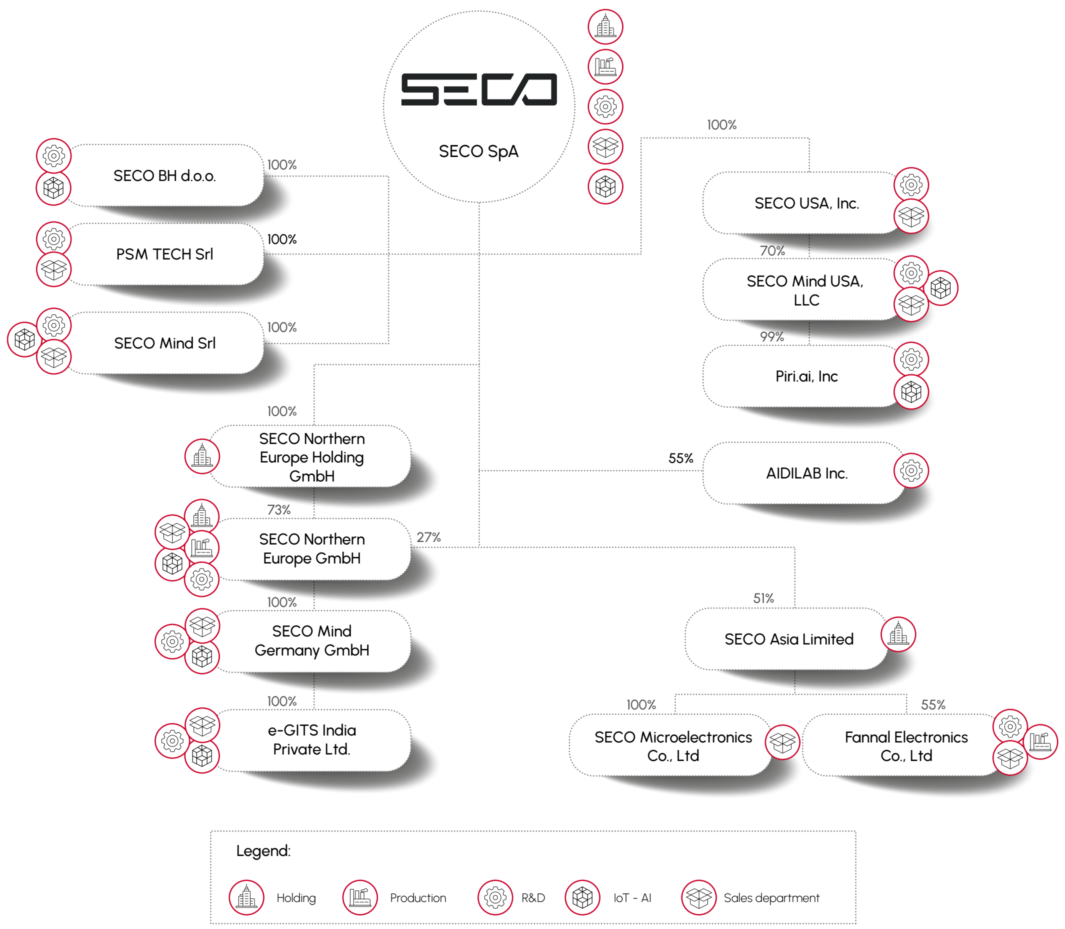
Deloitte & Touche S.p.A.

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 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.

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 quality of life, the sustainability of industrial processes and products, and the safety of people.

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, we consider the eco-digital transition, in which digitalization will indeed 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

SECO's revenues in 2023 grew over 4% organically on 2022, confirming the Group's ability to tap into opportunities even in challenging economic environments. This performance is the result of 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. 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. The range of software was further strengthened with the introduction in 2023 of Studio X - a generative AI platform dedicated to OEM's to provide first and second level support to customers.

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 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 MetisTM 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 2023, 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.

In April 2023, 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.

In late July 2023, SECO was selected by Gartner in the "Hype Cycle 2023 for Edge Computing" report in the "Edge Asset Life Cycle Management" category. This recognition sees SECO ranked among the top 6 global players in the industry, with reference to solutions designed to provide customers with greater control and visibility over the distributed infrastructure of their edge computing devices (smart gateways, edge servers, IoT embedded devices).

In September 2023, a strategic partnership was announced under which SECO is designated as an IIoT design center partner of Qualcomm Technologies. SECO will be responsible for developing reference designs for off-the-shelf hardware solutions for the Industrial IoT world, mainly dedicated to OEM customers and based on Qualcomm Technologies processors. Qualcomm Technologies will support SECO in developing these products to accelerate their time to market, and to facilitate the integration of its own components.

1.3| Research and Development and Technological Innovation

In 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 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, approximately 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 over recent years, 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

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 the above transactions, 7-Industries' stake in SECO's share capital is 11.23%. 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.

On July 13, 2023, SECO S.p.A. ("Company") purchased the company shares held by minority shareholders in SECO Mind S.r.l.. These latter received ordinary shares of the Company as consideration. As a result of this transaction, SECO Mind S.r.l. is fully held by SECO S.p.A.

On July 28, 2023, the Shareholders' Meeting approved a share capital increase for a total maximum amount of Euro 110,000, in service of two stock option plans which stipulate a vesting period between 2025 and 2027. For further information, reference should be made to the press release of July 28, 2023.

On November 13, 2023, SECO S.p.A. approved a capital increase in Laserwall S.r.l., totaling Euro 2,003 thousand, of which Euro 1,000 thousand has already been subscribed by SECO S.p.A.. Laserwall S.r.l., a smart cities sector enterprise, is thus held 8.51% by SECO. The second tranche of the capital increase, amounting to Euro 1,003 thousand, is expected to be subscribed by the shareholders by April 30, 2024. As a result of this subscription, SECO S.p.A.'s holding will rise to 13.99% of the share capital of Laserwall S.r.l.

1.6| Operating Performance

December 31, 2023 vs December 31, 2022

Revenues rose in 2023 by 4.44% on the previous year (from Euro 200,906 thousand to Euro 209,822 thousand).

Other revenues and income decreased from Euro 4,371 thousand in 2022 to Euro 2,151 thousand in 2023, a decrease of Euro 2,219 thousand (-50.78%). The item mainly concerns the recognition of the operating grant tax credit for the research and development activities of the Italian Group companies for Euro 960 thousand, and the capital grant tax credit for the purchase by SECO S.p.A. of capital goods under Industry 4.0 of Euro 409 thousand (portion accruing in the year);

Service costs increased by Euro 1,650 thousand (+8.99%), from Euro 18,360 thousand in 2022 to Euro 20,010 thousand in 2023, mainly due to the effect of the increase in outsourcing costs of Euro 1,450 thousand.

Personnel costs increased from Euro 34,882 thousand in 2022 to Euro 40,657 thousand, an increase of Euro 5,774 thousand (+16.55%), mainly due to: (i) the costs related to the expanded Group workforce, for the hire of key figures in 2023 to support the R&D, production and sales development plans; (ii) the recognition of the cost for the stock option plans awarded to the management team and employees for Euro 743 thousand; (iii) to other personnel costs for the introduction of meal vouchers for employees of the group's Italian companies.

Amortization and depreciation increased from Euro 18,653 thousand in 2022 to Euro 20,435 thousand in 2023, increasing Euro 1,782 thousand (+9.55%). This increase is due to (i) capex in 2023, 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 the provision for risks and charges slightly decreased from Euro 54 thousand in 2022 to Euro 28 thousand in 2023. The account principally concerns the accrual to the Agent Supplementary Indemnity Provision.

Other operating costs increased from Euro 5,116 thousand in 2022 to Euro 7,570 thousand in 2023, an overall increase of Euro 2,454 thousand (+47.97%). The increase is mainly due to the "Directors' fees and relative charges" item, with an increase of Euro 1,418 thousand on the previous year, mainly due to the reclassification of the directors' fees of the German Group company SECO Northern Europe Gmbh, in addition to the recognition of the costs for the stock option plan awarded in 2023 to the Chief Executive Officer. The increase in other operating costs for Euro 986 thousand derives mainly from the increase in the costs for the prototype for the R&D projects in progress, and the commercial costs to support customers related to the awarding of new development projects.

Financial management, including the effect of financial income, financial charges and exchange gains/(losses), reports a net charge of Euro 5,325 thousand for 2023, increasing Euro 769 thousand on 2022, mainly due to the financial charges deriving from the Group's commitments to the lending banks.

Income taxes increased from Euro 2,494 thousand in 2022 to Euro 4,603 thousand in 2023, an increase of Euro 2,109 thousand.

As a result of that outlined above, the net profit rose 0.42% on 2022, from Euro 14,570 thousand in 2022 to Euro 14,631 thousand in 2023.

1.7| Balance Sheet Overview

Reference should be made to the balance sheet in this regard. The main changes at December 31, 2023 were as follows.

December 31, 2023 vs December 31, 2022

Total non-current assets decreased from Euro 314,985 thousand at December 31, 2022 to Euro 314,829 thousand at December 31, 2023, a reduction of Euro 156 thousand, mainly due to: (i) the increase in "Intangible assets" for Euro 1,975 thousand, principally concerning the combined effect of investments, for the development of new technologies and products, in addition to the costs incurred to introduce the new Group ERP by the company SECO Northern Europe, net of amortization; (ii) the increase in the "Right-of-use" for Euro 2,768 thousand, mainly concerning the application of IFRS 16 to the lease contracts for the Fannal, SECO USA and SECO Mind locations, net of the relative depreciation; (iii) the reduction in "Non-current financial assets" of Euro 4,229 thousand, mainly concerning the update of the value of the Mark to Market of the derivative contracts undertaken by the Group.

Current assets increased from Euro 180,243 thousand at December 31, 2022 to Euro 223,668 thousand at December 31, 2023, increasing Euro 43,425 thousand. In particular, the main changes concerned: (i) "Inventories", which increased Euro 2,551 thousand on 2022, mainly due to the increase in stock to support the improved Group business volumes; (ii) "Tax receivables", increasing Euro 4,762 thousand on the previous year, due to the higher VAT receivable and the higher IRES receivable of SECO Northern Europe; (iii) "Cash and cash equivalents", increasing Euro 35,230 thousand. The increase on the previous year concerns the undertaking of a stake in the company by 7-Industries Holding B.V..

Total non-current liabilities increased from Euro 165,438 thousand at December 31, 2022 to Euro 144,170 thousand at December 31, 2023, an increase of Euro 21,269 thousand. In particular, the main changes concern: (i) the reduction for Euro 22,285 of non-current financial payables due to the settlement of outstanding loans; (ii) the reduction in deferred tax liabilities for Euro 1,827 thousand, mainly due to the release of the deferred tax assets recognized by SECO S.p.A. as a result of the amortization of intangible assets identified on the purchase price allocation for the transfer of the business unit from Camozzi Digital S.r.l. in 2022, in addition to the deferred tax effect regarding the derivative hedging instruments in place at year-end.

Total current assets decreased from Euro 93,236 thousand at December 31, 2022 to Euro 81,830 thousand at December 31, 2023, a reduction of Euro 11,406 thousand, mainly due to: (i) the reduction in current financial liabilities for Euro 10,644 thousand, which includes bank payables regarding the credit lines in place, current account overdrafts, credit card payables, payables for invoice advances and short-term loans due within one year for operating needs at December 31, 2023; (ii) the reduction in trade payables for Euro 7,607, due to the gradual reduction of procurement times compared to the previous year; (iii) the increase in financial liabilities for Euro 5,461 thousand, mainly concerning the company SECO Northern Europe.

1.8| Consolidated Statement of Changes in Equity

(in Euro thousands)	01/01/2023	Share capital increase	Allocation result	Other movements	Comprehensive Profit/(Loss)	31/12/2023
Share capital	1.154	143	-	-	-	1.297
Legal reserve	289	-	-	-	-	289
Share premium reserve	168.543	63.252	-	241	-	232.036
Other reserves	34.365	-	11.039	4.199	(3.990)	45.613
Translation reserve	545	-	-	-	(761)	(216)
FTA Reserve	(371)	-	-	-	-	(371)
Discounting employee benefits	215	-	-	(7)	(99)	109
Group Net Profit	11.039	-	(11.039)	-	11.864	11.864
Group Equity	**215.778**	**63.395**	**-**	**4.433**	**7.014**	**290.621**
Non-controlling interests capital and reserves	17.250	-	3.530	(648)	(1.025)	19.107
Discounting employee benefits	(7)	-	-	7	-	-
Non-controlling interests profit	3.530	-	(3.530)	-	2.766	2.767
Minorities Equity	**20.773**	**-**	**-**	**(641)**	**1.741**	**21.875**
Total Equity	**236.552**	**63.395**	**-**	**3.792**	**8.756**	**312.496**

The main items affecting changes in consolidated shareholders' equity are: the increase in share capital, mainly due to the capital increase transaction subscribed by 7-Industries Holding B.V; the increase in "Other movements" due to both the allocation of stock options to managers and Directors, and the purchase of company shares held by the minority shareholders in SECO Mind S.r.l.

(in Euro thousands)	01/01/2022	Share capital increase	Allocation result	Other movements	Comprehensive Profit/(Loss)	31/12/2022
Share capital	1.074	80	-	-	-	1.154
Legal reserve	289	-	-	-	-	289
Share premium reserve	118.981	-	-	49.562	-	168.543
Other reserves	20.963	-	4.149	(3.206)	12.458	34.365
Translation reserve	457	-	-	-	88	545
FTA Reserve	(371)	-	-	-	-	(371)
Discounting employee benefits	(146)	-	-	-	361	215
Group Net Profit	4.149	-	(4.149)	-	11.039	11.039
Group Equity	**145.396**	**80**	**-**	**46.356**	**23.946**	**215.779**
Non-controlling interests capital and reserves	15.277	-	2.351	(240)	(138)	17.250
Discounting of employee benefits (non-cont. interests)	(21)	-	-	-	14	(7)
Non-controlling interests profit	2.351	-	(2.351)	-	3.530	3.530
Minorities Equity	**17.607**	**-**	**-**	**(240)**	**3.406**	**20.773**
Total Equity	**163.003**	**80**	**-**	**46.116**	**27.353**	**236.552**

1.9| Financial Information

The Group's cash flow statement is illustrated below:

(in Euro thousands)	2023	2022
Cash and cash equivalents at the start of the year	**39.586**	**58.825**
Cash flow from operating activities (A)	26.693	6.762
Net cash (used in)/from investing activities (B)	(20.993)	(18.424)
Cash flow from financing activities (C)	30.735	(7.064)
Net change in cash and cash equivalents (A + B + C)	**36.435**	**(18.726)**
Conversion differences	(1.204)	(512)
Cash and cash equivalents at the end of the year	**74.816**	**39.586**

December 31, 2023 vs December 31, 2022

At December 31, 2023, operating activities generated cash of Euro 26,693 thousand, increasing on the previous year by Euro 19,931 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 5,549 thousand, (ii) increase in liquidity relating to the decrease in trade receivables for Euro 12,583 thousand, (iii) increase in liquidity with regards to the increase in inventories for Euro 19,041 thousand, (iv) absorption of liquidity with regards to the decrease in trade payables for Euro 13,434 thousand.

Investment activities absorbed cash of Euro 20,993 thousand, increasing on the previous year by Euro 2,569 thousand. This increase is mainly due to intangible asset investments.

Cash flow from financing activities was generated of Euro 30,735 thousand, a Euro 37,799 thousand increase on the previous year, due to the paid-in capital increase subscribed by 7-Industries Holding B.V.

As a result of that outlined above, cash and cash equivalents at December 31, 2023 increased by Euro 36,435 thousand compared to December 31, 2022, respectively increasing from Euro 39,586 thousand to Euro 74,816 thousand.

1.10| Alternative performance indicators

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)	2023	2022	Change	Change %
EBITDA	45.009	40.668	4.341	10,67%
Adjusted EBITDA	50.574	44.017	6.557	14,90%
Net financial debt	(65.083)	(128.803)	63.720	-49,47%
Adjusted net financial debt	(51.993)	(118.842)	66.849	-56,25%

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)	31/12/2023	31/12/2022	Change	Change %
Total revenues and operating income	211.974	205.277	6.697	3,26%
Costs for services, goods and other costs*	(126.308)	(129.727)	3.419	-2,64%
Personnel costs	(40.657)	(34.882)	(5.775)	16,56%
EBITDA	**45.009**	**40.668**	**4.341**	**10,67%**

(*) 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 and charges; other operating costs; exchange gains and losses.

The increase between the two periods (Euro 4,341 thousand, +10.67%) is due to the higher sales revenues and the reduction in raw material and other costs, which offset the increase in personnel costs.

EBITDA *Adjusted* - 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)	31/12/2023	31/12/2022	Change	Change %
EBITDA	**45.009**	**40.668**	**4.341**	**10,67%**
Exchange gains/(losses)	(14)	(395)	381	-96,45%
Income/charges from non-core business activities	5.554	3.677	1.877	51,04%
Non-recurring income/charges from core business activities	25	67	(42)	-62,74%
Adjusted EBITDA	**50.574**	**44.018**	**6.556**	**14,89%**

The Group reports 2023 Adjusted EBITDA of Euro 50,574 thousand, increasing 14.89% on 2022.

Income/charges from non-core business activities of Euro 5,554 thousand mainly refer to the allocation of stock options to managers and Directors of Euro 2,592 thousand and the discounting of the receivable from the customer Laserwall S.r.l., for whom a deferral plan was granted, as required by IFRS 9, of Euro 1,281 thousand.

On July 28, 2023, the Shareholders' Meeting approved a share capital increase for a total maximum amount of Euro 110,000, in service of two stock option plans which stipulate a vesting period between

2025 and 2027. For further information, reference should be made to the press release of July 28, 2023.

Non-recurring income/charges from core business activities amounted to Euro 25 thousand.

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

The breakdown of the net financial debt at December 31, 2023 compared with December 31, 2022 is presented on the following page, determined in accordance with "Reminder No. 5/21" dated April 29, 2021 issued by Consob, which refers to ESMA Guideline 32-382-1138 dated March 4, 2021.

At December 31, 2023, the Group net financial debt was Euro 65,083 thousand, compared to Euro 128,803 thousand at December 31, 2022.

(in Euro thousands)	31/12/2023	31/12/2022	Change	Change %
A. Cash	23	15	8	53.93%
B. Cash equivalents	74.793	39.571	35.222	89.01%
C. Other current financial assets	-	-	-	-
D. Cash and cash equivalents (A) + (B) + (C)	**74.816**	**39.586**	**35.230**	**89.00%**
E. Current financial debt	(13.157)	(23.394)	10.237	-43.76%
F. Current portion of the non-current debt	(11.211)	(9.705)	(1.506)	15.52%
G. Current financial debt (E)+(F)	**(24.368)**	**(33.099)**	**8.731**	**-26.38%**
H. Net current financial debt (G) + (D)	**50.448**	**6.487**	**43.961**	**677.67%**
I. Non-current financial debt	(115.531)	(135.290)	19.759	-14.60%
J. Debt instruments	-	-	-	-
K. Trade payables and other non-current payables	-	-	-	-
L. Non-current financial debt (I) + (J) + (K)	**(115.531)**	**(135.290)**	**19.759**	**-14.60%**
M. Total financial debt (H) + (L)	**(65.083)**	**(128.803)**	**63.720**	**-49.47%**

The net financial debt overall decreased by Euro 63,720 thousand compared to December 31, 2022. This decrease is mainly due to the share capital increase by 7-Industries Holding B.V.

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 the "Reminder No. 5/21" dated April 29, 2021 issued by Consob, which refers to ESMA Guideline 32-382-1138 dated March 4, 2021, 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)	31/12/2023	31/12/2022	Change	Change %
Net financial position/(debt)	**(65.083)**	**(128.803)**	**63.720**	**-49.47%**
(+) VAT receivables	2.362	2.166	196	9.04%
(-) Current lease liabilities	(2.126)	(1.719)	(407)	23.67%
(-) Non-current lease liabilities	(8.603)	(6.077)	(2.526)	41.57%
(-) Derivative financial instruments	-	-	-	-
Adjusted net financial debt	**(51.993)**	**(118.842)**	**66.849**	**-56.25%**

(*) at December 31, 2023, the Mark to Market of derivatives was a positive Euro 10,287 thousand, compared to a positive Euro 15,666 thousand at December 31, 2022. 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 2022/32/382/1138, and they are therefore not included in the calculation of Adjusted net financial debt.

The Adjusted net financial debt was Euro 51,993 thousand at December 31, 2023, compared to Euro

118,842 thousand at December 31, 2022. The decrease is due, in addition to the effects analyzed in the previous paragraph, to higher current and non-current financial lease liabilities at December 31, 2023 compared to the previous year.

1.11| 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.

Already emerging in 2021, the supply chain shortage of electronic components used in the production of embedded and digital devices, such as, for example chips and memories, gradually improved during the year. This consequently supported the improved availability globally of these components and the gradual reduction of delivery times.

Within this climate, the Group has not experienced interruptions in production, and operations have not been significantly impacted. Significant investments in inventory had been necessary over the previous two years to ensure continuity of deliveries to customers. As supply chain conditions improved, the inventory level of critical components began to reduce during the year.

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 and the conflict in the Middle East. The resulting geopolitical instability had significant general economic repercussions, mainly concerning - but not limited to - the European continent.

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.

The Group by 2022 had already interrupted all relations with Russia in full compliance with the sanctions imposed by the European Union. This situation continued also in 2023. 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.

1.12| SECO on the stock exchange

In the first half of 2023, 13,859,276 new shares were issued in two tranches (April and June), equating to approx. 10.45% of the post-dilution share capital, in favor of 7-Industries Holding B.V.. The new shareholder takes a holding in SECO with a long-term investment horizon to support the Group's development plans.

The first day of trading of the SECO share was on May 5, 2021, with an initial offer price set at Euro 3.70 per share. At December 31, 2023, the share price was Euro 3.44 per share and corresponding to a capitalization of approximately Euro 457 million.

1.13| Outlook

In 2023, a significant portion of our customer's reduced their inventory levels. This was seen across all sectors in which SECO operates, resulting in - in a number of cases - the postponement of order delivery dates. SECO's end-to-end hardware-software offerings, together with its presence in verticals characterized by less exposure to economic cycles - even in this environment - supported organic growth. 2023 Revenue was up 4% overall on 2022.

The market is at the beginning of an eco-digital revolution, where digitization and the use of Artificial Intelligence algorithms "at the Edge" assume a key role for the future technological development of enterprises.

The growing demand for smart solutions increasingly concerns the introduction of Artificial Intelligence, directly on the device locally, to enable the launch of new high value-added services, leveraging field data and introducing new business models. SECO's unique, comprehensive and integrated technology proposition focused on Edge computing, IoT-data analysis and Artificial Intelligence is designed to meet these needs and tap into the digitization opportunities emerging across all sectors.

Our customers' destocking operations appear to have been completed in the first quarter of 2024, with inventory levels having returned to pre-shortage levels in many areas. New customer acquisition growth continued, further supporting SECO's organic growth.

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.

The Group's analyses and assessments of possible climate risks were based on information collected through the Environmental Management System, which is certified to the ISO 14001:2015 standard. The Group's production facilities located in Arezzo, Tregozzano, Hamburg and Hangzhou have been awarded this certification.

As part of this certification, SECO since 2021 has been conducting an analysis of the direct and indirect environmental impacts related to the Group's activities, the applicable regulatory framework, and the state of implementation of the related obligations. Specifically, the dimensions considered are: energy consumption, water consumption, atmospheric emissions, waste produced, hazardous substances, external noise, electromagnetic fields, greenhouse gases, and ozone-depleting substances, chemical compounds such as polychlorinated biphenyls and polychlorinated terphenyls, visual impact, soil contamination and fire risk.

All elements of the analysis process were evaluated based on regulatory criteria, their relevance to business, and their impact on the region, population, and management efficiency. An impact category defined as "significant" or "insignificant" was assigned to each element. The analysis was conducted for both normal and emergency scenarios.

With reference to these issues, including those found to be significant, SECO verified compliance with the applicable regulations, conducted a risk assessment by assigning appropriate impact coefficients based on the perceived dimension of severity (level of loss in terms of money and/or time) and probability (0%-100%) of occurrence of the phenomenon and identified management safeguards and actions, either already in place or to be implemented, to mitigate its impact.

In addition, for the purpose of obtaining and maintaining certification, SECO initiated an analysis to qualitatively and quantitatively determine the impact, on several of the company's product categories, of emissions associated with board and integrated system manufacturing activities. In this first phase of analysis, it was deemed appropriate to conduct a gate-to-gate perimeter analysis confined to the Group's two Italian plant by modeling the internal production processes and including in the observation perimeter the activities of material entry, electricity and gas consumption associated with internal logistics activities, board assembly, conformal coating and assembly, as well as for the heating of the spaces used, the quantities of materials consumed and waste produced.

This activity has been a useful complement to the mapping of direct and indirect CO_2 emissions (Scope 1 and Scope 2) already reported on a consolidated basis within the Non-Financial Statement. It is also an important starting point for understanding the relevant aspects, the nature of the activities to be carried out and the level of granularity of the data to be collected upstream (supply chain) and downstream (product life cycle) of the activities carried out by SECO, in preparation for the broader analysis of Scope 3 emissions required by EU Directive 2022/2464 ("CSRD"), beginning with the reporting for the year ending December 31, 2024.

Please refer to the Non-Financial Statement 2023 for further details.

Finally, SECO's operations do not feature a significant use of energy within the production process. For example, electricity, heating and water consumption costs for the parent company accounted for 0.4% of revenues.

In addition, 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 view of these factors, the assessment of risks and of the potential impacts of climate change, carried out at Group level, did not point to significant risk factors in the Group's ability to achieve the strategic objectives of the 2024-26 Business Plan due to potential changes in the external landscape. In addition, the impact of possible climate risks was deemed to be such that there was no need to provide for possible credit losses, or impacts on the useful life or recoverable value of Group assets specifically related to such possibilities.

In this volatile general economic environment, SECO will continue to work as always in meeting commitments and targets, maintaining a consistent focus on the efficient management of its financial structure to respond in an agile and prompt manner to the challenges and uncertainties of 2024.

2| Consolidated balance sheet and consolidated income statement at December 31, 2023

2.1| Consolidated Balance Sheet

(in Euro thousands)	Notes	31/12/2023	of which Related Parties	31/12/2022	of which Related Parties
Property, plants and equipments	1	16.726	-	17.095	-
Intangible assets	2	104.019	-	102.044	-
Right-of-Use	3	11.755	-	8.986	-
Goodwill	4	165.216	-	165.508	-
Non-current financial assets	5	13.201	1.069	17.431	65
Deferred tax assets	6	2.289	-	2.516	-
Other non-current assets	7	1.623	-	1.406	-
Total non-current assets		**314.829**	**1.069**	**314.985**	**65**
Inventories	8	85.827	-	83.277	-
Trade receivables	9	49.489	5.044	49.233	5.793
Current tax assets	10	9.458	-	4.696	-
Other receivables	11	4.077	260	3.450	330
Cash and cash equivalents	12	74.816	-	39.586	-
Total current assets		**223.668**	**5.304**	**180.243**	**6.123**
TOTAL ASSETS		**538.497**	**6.372**	**495.228**	**6.187**
Share capital	13	1.296	-	1.154	-
Share premium reserve	13	232.037	-	168.543	-
Reserves	13	45.425	-	35.043	-
Group Net Profit		11.864	-	11.039	-
Total Group Equity	13	**290.622**	**-**	**215.779**	**-**
Minorities Equity and Reserves		19.109	-	17.244	-
Minorities profit for the year		2.766	-	3.530	-
Minorities Equity		**21.875**	**-**	**20.774**	**-**
Total Equity	13	**312.497**	**-**	**236.553**	**-**
Employee benefits	14	3.312	390	2.827	302
Provisions	15	1.235	-	1.402	-
Deferred tax liabilities	16	24.084	-	25.911	-
Non-current financial payables	17	106.928	-	129.213	-
Non-current lease liabilities	18	8.603	-	6.077	-
Other non-current liabilities	19	8	-	8	-
Total non-current liabilities		**144.170**	**390**	**165.438**	**302**
Current financial liabilities	20	11.031	-	21.675	-
Current portion of non-current financial liabilities	21	11.211	-	9.705	-
Current lease liabilities	22	2.126	-	1.719	-
Trade payables	23	36.402	221	44.009	336
Other payables	24	11.728	715	12.257	136
Tax payables	25	9.332	-	3.871	-
Total current liabilities		**81.830**	**936**	**93.236**	**473**
TOTAL EQUITY AND LIABILITIES		**538.497**	**1.326**	**495.228**	**775**

2.2| Consolidated Income Statement

(in Euro thousands)	Notes	31/12/2023	of which Related Parties	31/12/2022	of which Related Parties
Net sales	26	209.822	2.931	200.906	2.445
Other revenues and income	27	2.151	1.299	4.371	249
Raw materials, ancillaries, consumables and goods	28	(101.684)	(12)	(128.982)	-
Change in inventories		2.970	-	22.390	-
Service costs	29	(20.010)	(290)	(18.360)	(148)
Personnel costs	30	(40.657)	-	(34.882)	-
Amortization & depreciation	31	(20.435)	-	(18.653)	-
Write-downs of receivables and Allocations to provisions for risks and charges	32	(28)	-	(54)	-
Other operating costs	33	(7.570)	(2.496)	(5.116)	(1.790)
Operating Profit		**24.559**	**1.433**	**21.620**	**758**
Financial income	34	4.433	-	315	-
Financial charges	34	(9.772)	-	(5.266)	-
Exchange gains/(losses)		14	-	395	-
Profit before taxes		**19.234**	**1.433**	**17.064**	**758**
Income taxes	35	(4.603)	-	(2.494)	-
Profit for the year		**14.631**	**1.433**	**14.570**	**758**
Non-controlling interests profit		2.766	-	3.530	-
Group profit		**11.864**	**1.433**	**11.039**	**758**
Basic earnings per share	36	0,09	-	0,10	-
Diluted earnings per share	37	0,09	-	0,09	-

2.3| Consolidated Comprehensive Income Statement

(in Euro thousands)	Notes	31/12/2023	31/12/2022
Profit for the year		**14.631**	**14.570**
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:		**(5.775)**	**12.409**
Translation differences		(1.785)	(50)
Profit / (loss) on Cash Flow Hedge		(5.250)	16.152
Tax effect profit / (loss) on cash flow hedge		1.260	(3.694)
Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:		**(99)**	**375**
Discounting employee benefits		(131)	522
Tax effect discounting employee benefits		32	(148)
Total comprehensive income	**38**	**(5.874)**	**12.783**
Non-controlling interests		1.741	3.407
Parent company shareholders		7.014	23.947
Total comprehensive income		**8.756**	**27.353**

2.4| Consolidated Statement of Cash Flows

(in Euro thousands)		31/12/2023	31/12/2022
Profit for the year		**14.631**	**14.570**
Income taxes	35	4.603	2.494
Amortization & depreciation	31	20.435	18.653
Change in employee benefits		385	137
Financial income/(charges)	34	5.360	4.951
Exchange gains/(losses)		(14)	(395)
Costs for share-based payments		2.673	2.115
Cash flow before working capital changes		**48.074**	**42.525**
Change in trade receivables	9	(1.237)	(12.817)
Change in inventories	8	(2.551)	(21.592)
Change in trade payables	23	(8.446)	4.988
Other changes in tax receivables and payables		(1.046)	(354)
Other changes in current receivables and payables		(422)	372
Other changes in non-current receivables and payables		(557)	(2.624)
Use of provisions for risks, receivables and inventories		(167)	673
Interest collected		3.699	315
Interest paid		(9.555)	(4.331)
Exchange gains/(losses) realized		757	(280)
Income taxes paid	35	(2.858)	(113)
Cash flow from operating activities (A)		**25.690**	**6.762**
(Investments) /Disposals of property, plant and equipment	1	(2.959)	(3.976)
(Investments) /Disposals of intangible assets	2	(16.748)	(14.295)
(Investments) /Disposals of financial assets	5	(284)	(153)
Acquisition of business units net of cash and cash equivalents	-	-	-
Acquisition of subsidiaries net of cash and cash equivalents	-	-	-
Cash flow from investing activities (B)		**(19.991)**	**(18.424)**
New loan drawdowns	-	-	-
(Repayment) of bank loans		(20.779)	(9.362)
Change in current financial liabilities	20	(10.811)	10.002
Repayment lease liabilities	22	(2.169)	(1.418)
Dividends paid	-	-	-
Paid-in capital increase		64.666	(745)
Acquisition of treasury shares	-	-	(5.311)
Acquisition of shares from minorities		(173)	(230)
Cash flows from financing activities (C)		**30.735**	**(7.064)**
Increase (decrease) in cash and cash equivalents (A+B+C)		**36.434**	**(18.726)**
Cash & cash equivalents at beginning of year		**39.586**	**58.825**
Conversion differences		(1.204)	(512)
Cash & cash equivalents at end of year	**12**	**74.816**	**39.587**

2.5| Consolidated Statement of Changes in Equity

(in Euro thousands)	01/01/2023	Share capital increase	Allocation result	Other movements	Comprehensive Profit/(Loss)	31/12/2023
Share capital	1.154	143	-	-	-	1.297
Legal reserve	289	-	-	-	-	289
Share premium reserve	168.543	63.252	-	241	-	232.036
Other reserves	34.365	-	11.039	4.199	(3.990)	45.613
Translation reserve	545	-	-	-	(761)	(216)
FTA Reserve	(371)	-	-	-	-	(371)
Discounting employee benefits	215	-	-	(7)	(99)	109
Group Net Profit	11.039	-	(11.039)	-	11.864	11.864
Group Equity	**215.778**	**63.395**	**-**	**4.433**	**7.014**	**290.621**
Non-controlling interests capital and reserves	17.250	-	3.530	(648)	(1.025)	19.107
Discounting of employee benefits	(7)	-	-	7	-	-
Non-controlling interests profit	3.530	-	(3.530)	-	2.766	2.767
Minorities Equity	**20.773**	**-**	**-**	**(641)**	**1.741**	**21.875**
Total Equity	**236.552**	**63.395**	**-**	**3.792**	**8.756**	**312.496**

The main items affecting changes in consolidated shareholders' equity are: the increase in share capital, mainly due to the capital increase transaction subscribed by 7-Industries Holding B.V; the increase in "Other movements" due to both the allocation of stock options to managers and Directors, and the purchase of company shares held by the minority shareholders in SECO Mind S.r.l.

(in Euro thousands)	01/01/2022	Share capital increase	Allocation result	Other movements	Comprehensive Profit/(Loss)	31/12/2022
Share capital	1.074	80	-	-	-	1.154
Legal reserve	289	-	-	-	-	289
Share premium reserve	118.981	-	-	49.562	-	168.543
Other reserves	20.963	-	4.149	(3.206)	12.458	34.365
Translation reserve	457	-	-	-	88	545
FTA Reserve	(371)	-	-	-	-	(371)
Discounting of employee benefits	(146)	-	-	-	361	215
Group Net Profit	4.149	-	(4.149)	-	11.039	11.039
Group Equity	**145.396**	**80**	**0**	**46.356**	**23.946**	**215.779**
Non-controlling interests capital and reserves	15.277	-	2.351	(240)	(138)	17.250
Discounting of employee benefits (non-cont. interests)	(21)	-	-	-	14	(7)
Non-controlling interests profit	2.351	-	(2.351)	-	3.530	3.530
Minorities Equity	**17.607**	**-**	**-**	**(240)**	**3.406**	**20.773**
Total Equity	**163.003**	**80**	**-**	**46.116**	**27.353**	**236.552**

3| Explanatory notes to the consolidated financial statements at December 31, 2023

The publication of the consolidated financial statements as at December 31, 2023 was approved by the Board of Directors on March 18, 2024.

3.1| Accounting policies

Content and form of the Financial Statements

The consolidated financial statements for the year ended December 31, 2023 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 2023 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, 2023 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, 2023 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, 2023 were audited by Deloitte & Touche S.p.A. (appointed by the Shareholders' Meeting of March 1, 2022).

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 1,296,944.48;
- 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 BAM 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 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 fair value of 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 31/12/2023	Average January-December 2023	Exchange rate at 31/12/2022	Average January-December 2022
US Dollar (USD)	1.10500	1.08130	1.0666	1.0530
Chinese Renminbi (CNY)	7.85090	7.66000	7.3582	7.0788
Indian Rupee (INR)	91.90450	89.30010	88.1710	82.6864
Convertible mark	1.95583	1.95583	1.9558	1.9558

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE FROM JANUARY 1, 2023

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Group from January 1, 2023:

- On May 18, 2017, the IASB published **IFRS 17 - Insurance Contracts** which replaces **IFRS 4 - Insurance Contracts**. This standard is effective as of January 1, 2023. 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).

Furthermore, 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 was effective as of January 1, 2023, along with the application of IFRS 17, to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for financial statement readers.

- 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 at the date of initial recognition, such as leases and decommissioning obligations. The amendments were applied from January 1, 2023. The adoption of this amendment does not have effects on the consolidated financial statements of the Group.
- 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 amendments regarding IAS 1 require an entity to disclose relevant information on the accounting standards applied by the Group. The changes are intended to improve disclosure on the accounting policies applied by the Group 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 were applied from January 1, 2023. The adoptions of these amendments do not have any effects on the Group consolidated financial statements.
- On May 23, 2023, the IASB published an amendment called "***Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules***". This introduces a temporary exception to the recognition and disclosure requirements for deferred tax assets and liabilities related to the Pillar Two Model Rules (effective in Italy from December 31, 2023, but applicable as of January 1, 2024) and sets out specific disclosure requirements for entities affected by the related International Tax Reform. It provides for the immediate application of the temporary exception, while the disclosure requirements apply only to financial statements for years beginning on or after January 1, 2023, but not to interim financial statements with a closing date before December 31, 2023. The adoption of this amendment does not have effects on the consolidated financial statements of the Group.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AT DECEMBER 31, 2023, NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AT DECEMBER 31, 2023

The following IFRS accounting standards, amendments and interpretations were approved by the EU, but are not yet mandatory and have not been not adopted in advance by the Group at December 31, 2023:

- 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 amendments is to clarify how to classify payables and other short or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least 12 months is subject to meeting certain parameters (i.e. covenants). 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.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31, 2023

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 May 25, 2023, the IASB published an amendment entitled "***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements***". This requires an entity to provide additional information on reverse factoring arrangements to enable users of financial statement to assess how financial arrangements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such arrangements on the entity's exposure to liquidity risk. 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 August 15, 2023, the IASB published an amendment entitled "***Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability.***" The document requires an entity to apply a consistent methodology in order to ascertain whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be made in the notes to the financial statements. The amendment will be applicable from January 1, 2025, 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 Statements

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.

The functional and presentation currency of the Group 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, 2023 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.

Capitalized costs include only those costs that are directly attributable to development. The development costs capitalized are amortized on a straight-line basis, commencing from the beginning of the production over the estimated life of the product. During the development period the asset is subject to an annual impairment test.

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%

For some specific intangible assets as a result of purchase price allocation process, a lower amortization rate was defined than those shown in the table above. Specifically for the customer list business of SECO Northern Europe, the amortization rate defined in purchase price allocation is 4%, while for the intangible assets subject to the business unit transfer by Camozzi Digital S.r.l. the amortization rates defined in the purchase price allocation are 5.9% (17 years) and 8.3% (12 years).

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 depreciation or 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 fair value 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 minority interest at fair value or in proportion to the amount held in the fair value of 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 fair value of the business combination, at fair value or in proportion to the amount held in the fair value of 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 13, 2023, SECO S.p.A. acquired the shares from the minority shareholders of SECO Mind S.r.l. These latter received ordinary SECO shares as consideration. As a result of this transaction, SECO Mind S.r.l. is fully held by Seco S.p.A.. As a result of this transaction, 522,898 SECO S.p.A. treasury shares are held in escrow in relation to the agreement signed with the minority shareholders of Seco Mind S.r.l..

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.

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

As of December 31, 2023, 522,898 treasury shares are held in escrow in connection with SECO MIND's "minority purchase agreement". These shares are recognized 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 and charges

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 and charges provisions mainly comprise the Seco Northen Europe Product warranty provision and 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 revenue 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.

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 the doubtful debt provision, the inventory obsolescence provision, provisions for risks and charges and employee benefits. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized to the income statement. It should be noted that in the current general economic and geopolitical environment, given its impacts on the global financial situation, the assumptions regarding future performance feature a particular degree of 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 2024-2026 business plan approved by the Board of Directors on January 25, 2024; ii) the determination of an appropriate discount rate (WACC); and iii) the 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.

Fair 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

Within a regulatory context in which the European Union has developed a strategy focused on more sustainable economic models in order to achieve the goal of climate neutrality by 2050, the Group has launched a process to identify and analyze the risks and opportunities arising from climate change, which could affect the application of the relevant accounting standards, as well as estimating potential impacts on financial statement valuations. For further details, please refer to the "Outlook" section and the Non-Financial Statement.

Sector disclosure

Management has identified three operating segment, consistent with the management and control model used. In particular, the structure of the information corresponds to the structure of the reports periodically analyzed by the Board of Directors for the purposes of business management.

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Eliminations	Financial Statements
Revenues from sales	142.605	80.699	1.831	(15.313)	209.822
Other revenues and income	1.977	2.363	9	(2.197)	2.151
Costs for services, goods and other operating costs	(93.419)	(49.249)	(1.089)	17.462	(126.295)
Personnel costs	(25.061)	(15.077)	(518)	-	(40.657)
Amortization & depreciation	(15.354)	(4.449)	(632)	-	(20.435)
Provisions and write-downs	5	(33)	-	-	(28)
EBIT	**10.753**	**14.253**	**(399)**	**(47)**	**24.559**
Financial income	6.760	26	-	(2.353)	4.433
Financial charges	(9.644)	(2.461)	(20)	2.353	(9.772)
Exchange gains/(losses)	(193)	128	(4)	83	14
Profit/(loss) before taxes	**7.676**	**11.946**	**(423)**	**35**	**19.234**
Income taxes	(654)	(4.346)	-	396	(4.603)
Profit/(loss) for the year	**7.022**	**7.600**	**(423)**	**431**	**14.631**

(in Euro thousands)	Seco	Seco NE	Seco Mind US	Eliminations	Financial Statements
Total non-current assets	120.890	183.031	10.908	-	314.829
Total current assets	177.146	64.403	1.456	(19.337)	223.668
Total non-current liabilities	(128.127)	(95.131)	(637)	79.726	(144.170)
Total current liabilities	(72.591)	(33.505)	(161)	24.427	(81.830)

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	31/12/2023	31/12/2022	Change	Change %
EMEA	165.921	155.787	10.134	6,51%
of which Italy	*71.822*	*78.755*	*(6.934)*	*-8,80%*
USA	28.160	26.929	1.231	4,57%
APAC	15.717	14.875	841	5,66%
Rest of the world	24	3.315	(3.291)	-99,28%
Revenues by region	**209.822**	**200.906**	**8.916**	**4,44%**

Revenues rose from Euro 200,906 thousand in 2022 to Euro 209,822 thousand in 2023, increasing 4.44% on the previous year.

This increase stems from a mix of stabilization and growth in the main geographical areas in which the Group operates compared to the same scope in the previous year.

Specifically:

- in EMEA, with an increase of Euro 10,134 thousand (+6.51%), driven by growing sales volumes to existing and new Group customers, principally on the German and Swiss markets;
- in the United States, with an increase of Euro 1,231 thousand (+4.57%), as a result of the growth of sales volumes to existing and new customers;
- in the APAC region, with an increase of Euro 842 thousand (5.66%), mainly due to consistent revenue growth from the sale of touch screens and TFT's, in addition to the acquisition of new customers.

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.

The Group considers its exposure to credit risk to be as follows:

Category	31/12/2023	31/12/2022
Trade receivables	49.489	49.233
Current tax assets	9.458	4.696
Other receivables	4.077	3.450
Total	**63.024**	**57.379**

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	31/12/2023	Total cash flows	Less than 1 year	Between 1 and 5 years	Beyond 5 years
Non-current financial payables	106.928	106.928	-	106.928	-
Non-current financial lease liabilities	8.603	8.603	-	8.603	-
Total non-current financial liabilities	**115.531**	**115.531**	**-**	**115.531**	**-**
Current financial liabilities	11.031	11.031	11.031	-	-
Current portion of non-current financial liabilities	11.211	11.211	11.211	-	-
Current financial lease liabilities	2.126	2.126	2.126	-	-
Total current financial liabilities	**24.368**	**24.368**	**24.368**	**-**	**-**
Total financial liabilities	**139.899**	**139.899**	**24.368**	**115.531**	**-**

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, 2023, 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, 2023
Postal Code	MMX_29068750	24.000.000	24.000.000	Euribor 6M	0,20%	11/10/2028	2.559.219
Postal Code	MMX_29068675	16.000.000	16.000.000	Euribor 6M	0,06%	11/10/2027	821.448
Postal Code	43432008	16.000.000	16.000.000	Euribor 6M	0,06%	11/10/2027	819.279
Postal Code	43423339	24.000.000	24.000.000	Euribor 6M	0,20%	11/10/2028	2.560.666
Postal Code	26630416	8.000.000	8.000.000	Euribor 6M	0,06%	11/10/2027	408.476
Postal Code	26630417	12.000.000	12.000.000	Euribor 6M	0,20%	11/10/2028	1.275.212
Postal Code	134247400000	12.000.000	12.000.000	Euribor 6M	0,20%	11/10/2028	1.284.006
Postal Code	134246600000	8.000.000	8.000.000	Euribor 6M	0,06%	11/10/2027	411.566
Postal Code	197795	4.472.289	4.472.289	Euribor 6M	n/d	31/12/2025	147.017
Total		**124.472.289**					**10.286.889**

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 31/12/2023	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	1.524	10.287	1.391	13.201
Trade receivables	-	-	49.489	49.489
Other receivables	-	-	4.077	4.077
Total financial assets as per IFRS 7	**1.524**	**10.287**	**54.957**	**66.767**

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	-	-	49.233	49.233
Other receivables	-	-	3.450	3.450
Total financial assets as per IFRS 7	**1.609**	**15.666**	**52.839**	**70.114**

Financial liabilities at 31/12/2022	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	-	-	8.603	8.603
Non-current financial payables	-	-	106.928	106.928
Total non-current financial liabilities	**-**	**-**	**115.531**	**115.531**
Current financial liabilities	-	-	11.031	11.031
Current financial lease liabilities	-	-	2.126	2.126
Current portion of non-current financial payables	-	-	11.211	11.211
Total current financial liabilities	**-**	**-**	**24.368**	**24.368**
Trade payables	-	-	36.402	36.402
Other non-current liabilities	-	-	8	8
Other payables	-	-	11.728	11.728
Total financial liabilities as per IFRS 7	**-**	**-**	**188.037**	**188.037**

Financial liabilities at 31/12/2022	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	-	-	6.077	6.077
Non-current financial payables	-	-	129.213	129.213
Total non-current financial liabilities	**-**	**-**	**135.290**	**135.290**
Current financial liabilities	-	-	21.675	21.675
Current financial lease liabilities	-	-	1.719	1.719
Current portion of non-current financial payables	-	-	9.705	9.705
Total current financial liabilities	**-**	**-**	**33.099**	**33.099**
Trade payables	-	-	44.009	44.009
Other non-current liabilities	-	-	8	8
Other payables	-	-	12.257	12.257
Total financial liabilities as per IFRS 7	**-**	**-**	**224.664**	**224.664**

Guarantees provided and other contractual commitments

At December 31, 2023, the Group 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.

Company	Grantor	Description	Amount received 2023	Reporting period
SECO S.p.A.	UNIONE EUROPEA	Research grant on "ATTRACT" project	114.560,00	2023
SECO S.p.A.	FONDIMPRESA	Training contribution	20.694,80	2023
SECO S.p.A.	REGIONE TOSCANA	Incentives for employment support	5.400,00	2023
PSM TECH S.r.l	FONDIMPRESA	Training contribution	1.950,00	2023
PSM TECH S.r.l	SVILUPPO TOSCANA S.P.A.	Contribution to "ATLAS" research project	79.505,39	2021-2022
SECO MIND S.r.l.	FONDIMPRESA	Training contribution	1.824,00	2023
SECO S.p.A.	UNIONE EUROPEA	Contribution to "EUPEX" research project	446.743,07	2022 and pre-funding

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 14,630,850.21.

3.2| Notes to the Balance Sheet

(1) Property, plant & equipment

Category	31/12/2023	31/12/2022	Change
Land & buildings	4.920	5.068	(148)
Plant & machinery	6.535	6.968	(433)
Other tangible assets	4.645	4.860	(215)
Assets in progress	626	199	427
Total property, plant and equipment	**16.726**	**17.095**	**(369)**

The main investments made by the Group in the year totaled Euro 3,197 thousand and mainly concerned the "Plant and Machinery" and "Other tangible assets" categories.

"Plant and machinery" increased by Euro 1,349 thousand, following the acquisition of new machinery to support the production growth of SECO S.p.A., Seco Northern Europe and Fannal, while the "Other tangible assets" account increased by Euro 1,419 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 31/12/2022	5.882	14.465	8.233	199	28.779
Increases	2	1.349	1.419	427	3.197
Decreases	-	(733)	(551)	-	(1.284)
Historical cost 31/12/2023	**5.884**	**15.081**	**9.101**	**626**	**30.692**
Accumulated depreciation 31/12/2022	(814)	(7.497)	(3.373)	-	(11.685)
Amortization & depreciation	(149)	(1.738)	(1.507)	-	(3.395)
Decreases	-	689	425	-	1.114
Accumulated depreciation 31/12/2023	**(964)**	**(8.546)**	**(4.455)**	**-**	**(13.966)**
Net value 31/12/2022	5.067	6.967	4.860	199	17.094
Net value 31/12/2023	**4.921**	**6.535**	**4.645**	**626**	**16.726**

(2) Intangible assets

Category	31/12/2023	31/12/2022	Change
Development costs	25.256	23.450	1.806
Software	35.972	37.007	(1.035)
Customer List	30.030	31.350	(1.320)
Other intangible assets	10.634	9.846	788
Assets in progress	2.128	392	1.736
Total intangible assets	**104.019**	**102.044**	**1.975**

The account increased by Euro 16,745 thousand in the year, mainly related to: i) the purchase and introduction of new software, chiefly attributable to the companies SECO Northern Europe and SECO S.p.A. for a total of Euro 2,291 thousand, and ii) the recognition of project development costs for "standard products" with long-term utility incurred during the period for Euro 11,121 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 31/12/2022	Increases	Decreases	Amortization and Depreciation	Net value 31/12/2023
Development costs	23.450	11.121	-	(9.316)	25.256
Software	37.007	2.291	(3)	(3.323)	35.972
Customer List	31.350	-	-	(1.320)	30.030
Other intangible assets	9.846	1.597	-	(809)	10.634
Assets in progress	392	1.736	-	-	2.128
Total intangible assets	**102.045**	**16.745**	**(3)**	**(14.768)**	**104.019**

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	31/12/2023	31/12/2022	Change
Land & buildings	8.777	5.858	2.919
Plant & machinery	2.950	1.975	976
Depreciation	27	1.153	(1.127)
Right-of-use	**11.754**	**8.986**	**2.768**

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

The increase in this account of Euro 5,102 thousand mainly refers to the application of IFRS 16 to existing lease agreements, with reference to the Fannal, SECO USA, SECO Mind and SECO Northern Europe plants, in addition to the signing of a new lease agreement for the purchase of a production line at SECO Northern Europe.

Changes in right-of-use in 2023 are presented below:

	Land & buildings	Plant & machinery	Other tangible assets	Total
Historical cost 31/12/2022	7.878	3.883	1.447	13.208
Increases	3.431	1.609	63	5.102
Decreases	(663)	-	-	(663)
Reclassifications	1.146	-	(1.154)	(9)
Historical cost 31/12/2023	**11.791**	**5.492**	**355**	**17.639**
Accumulated depreciation 31/12/2022	(2.020)	(1.908)	(294)	(4.222)
Amortization & depreciation	(1.591)	(633)	(35)	(2.259)
Decreases	597	-	-	597
Reclassifications	-	-	-	-
Accumulated depreciation 31/12/2023	**(3.014)**	**(2.541)**	**(329)**	**(5.884)**
Net value 31/12/2022	5.858	1.975	1.153	8.986
Net value 31/12/2023	**8.777**	**2.950**	**27**	**11.754**

(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 minority interest 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	31/12/2023	31/12/2022	Change
Goodwill	165.216	165.508	(292)
Total Goodwill	**165.216**	**165.508**	**(292)**

The balance at December 31, 2023 decreased Euro 292 thousand compared to the end of the previous year. This is entirely a result of the exchange rate effect on the value of goodwill of SECO Mind USA LLC compared to its value in Euro at December 31, 2022.

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 2024-2026 Business Plans, approved by the Board of Directors on January 25, 2024, 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. 2024-2026, 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 2024-2026 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. Part of these activities is carried out by the subsidiary SECO Mind USA, a business in the start-up phase following the recent launch of development activities for an innovative B2B data analytics solution;
- 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 6 months prior to the testing date, in continuity with the methods adopted for the 2022 Reporting. 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 a significant increase in the WACCs for all CGUs analyzed compared to 2022. On the other hand, as the Seco Mind US CGU is in the start-up phase, an execution risk of 1% was included in the WACC calculation of this CGU. A comparison of WACC 2023 with 2022 is shown below.

WACC	2023	2022
Seco CGU	10,17%	9,57%
Seco Mind US CGU	11,28%	9,53%
Seco Northern Europe CGU	8,00%	7,25%

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 appropriately take into account the nominal growth expectations for the various CGUs, as a result of the largely unchanged inflationary environment compared to 2022, the g rates were 2.1% for all 3 CGUs, -0.1% compared to the previous year.

Based on the assumptions described above, the analyses performed show a recoverable amount at December 31, 2023 that is greater than the carrying amount of each CGU, as per the following table.

	Carrying amount	Recoverable value	Cover
Seco CGU	150.299	200.791	50.492
Seco Mind US CGU	11.244	12.040	796
Seco Northern Europe CGU	202.836	358.750	155.914

Therefore, there are no reasons for the impairment of goodwill recognized at December 31, 2023.

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 in terms of the Seco NE CGU, 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. 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. These analyses for the Seco and Seco Northern Europe CGUs would not lead to evidence of impairment; only a combined worsening of WACC and G rate with respect to this scenario would return values below the carrying amount. On the other hand, for the Seco Mind US CGU, the one percentage point increase in WACC would return values below the carrying amount.

A sensitivity analysis was also performed on the results of the impairment test by varying the assumptions used with reference to cash flows. This analysis shows a breakeven with respect to carrying amounts with a reduction of approximately -25.1%, -6.5% and -43.4% for the SECO, SECO MIND US and SECO NE CGU's respectively, in projected cash flows, for each year of explicit forecast and in Terminal Value, all other assumptions being equal.

Based on this analysis, the Directors believe that it is reasonable that the recoverable amount of the CGUs will not fall below their carrying amount. Therefore, there is no reason for impairment of goodwill at December 31, 2023.

Given that, as mentioned above, the recoverable amount was determined based on estimates, the Directors cannot assure, with greater regard to SECO MIND US which is in the start-up phase, 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	31/12/2023	31/12/2022	Change
Non-current financial assets	2.915	1.765	1.150
Assets for derivative financial instruments	10.287	15.666	(5.379)
Total non-current financial assets	**13.201**	**17.431**	**(4.229)**

Non-current financial assets decreased from Euro 17,431 thousand to Euro 13,201 thousand, mainly due to the Mark to Market value of the interest rate hedges on the medium/long-term loans undertaken by the Group.

(6) Deferred tax assets

Category	31/12/2023	31/12/2022	Change
Deferred tax assets	2.289	2.516	(227)
Total deferred tax assets	**2.289**	**2.516**	**(227)**

Deferred tax assets, the recognition of which is subject to the reasonable certainty of their recoverability, as assessed by the Directors on the basis of the expected results of Group companies reflected in the business plans, are determined on the basis of the tax rates in force, corresponding to those that will apply when these differences will reverse. 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 2,516 thousand at December 31, 2022 to Euro 2,289 thousand at December 31, 2023.

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.

(7) Other non-current assets

The total of Euro 1,623 thousand at December 31, 2023 (Euro 1,406 thousand at December 31, 2022) 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, 2023 totaled Euro 85,827 thousand, increasing Euro 2,551 thousand on the previous year. The breakdown of this account is shown in the table below:

Category	31/12/2023	31/12/2022	Change
Raw materials	63.899	66.832	(2.933)
Semi-finished products	16.826	9.827	6.999
Finished products	7.593	7.890	(298)
Advances to suppliers	1.148	1.367	(218)
Inventory obsolescence provision	(3.639)	(2.639)	(1.000)
Total inventories	**85.827**	**83.277**	**2.551**

The increase in the year was mainly due to the increase in "Semi-finished products", as the Group at year-end had a significant order backlog that due to production constraints could not be fully executed. These orders will be satisfied in the first quarter of 2024.

The inventory obsolescence provision is calculated to align the value of inventory with its estimated realizable value, recognizing where necessary its obsolescence and slow turnover.

The amount of the provision increased by Euro 1,000 thousand compared to December 31, 2022, and its percentage on the gross value of inventories increased slightly from 3.1% at December 31, 2022, to 3.8% at December 31, 2023.

(9) Trade receivables

Category	31/12/2023	31/12/2022	Change
Trade receivables	50.141	49.942	198
Doubtful debt provision	(652)	(709)	58
Total trade receivables	**49.489**	**49.233**	**256**

Trade receivables at December 31, 2023 amounted to Euro 49,489 thousand, slightly increasing Euro 256 thousand compared to the end of the previous year.

The doubtful debt provision decreased by Euro 58 thousand from the previous year due to its use to cover losses. It is noted that there are no customers whose turnover is more than 10% of total revenue.

(10) Tax receivables

Category	31/12/2023	31/12/2022	Change
VAT	5.526	2.433	3.094
Income taxes	2.448	492	1.956
Other	1.484	1.771	(287)
Total tax receivables	**9.458**	**4.696**	**4.762**

Tax receivables at December 31, 2023 amounted to Euro 9,458 thousand, increasing Euro 4,762 thousand compared to the end of the previous year. This increase is mainly attributable to the higher VAT receivable and higher IRES receivable of SECO Northern Europe.

(11) Other receivables

Category	31/12/2023	31/12/2022	Change
Advances to suppliers	187	36	151
Other receivables	2.078	2.476	(398)
Prepayments and accrued income	1.812	938	874
Total other receivables	**4.077**	**3.450**	**627**

Other receivables at December 31, 2023 amounted to Euro 4,077 thousand and increased Euro 627 thousand on the previous year. This increase mainly relates to the increase in Prepayments and accrued income due also to the effect of receivables for innovation.

(12) Cash and cash equivalents

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

Category	31/12/2023	31/12/2022	Change
Cash	23	15	8
Cash and cash equivalents	74.793	39.571	35.222
Total cash and cash equivalents	**74.816**	**39.586**	**35.230**

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

For further details, please refer to the "Liquidity Risk" paragraph above.

In April 2023, an escrow contract was signed for a total of Euro 26 million maturing on January 22, 2024. This deposit was considered as cash equivalents in accordance with accounting standard IAS 7.

(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, 2023, the authorized share capital totaled Euro 1,454,010.85 and was divided into 132,976,117 shares. The paid-up share capital at December 31, 2023 amounted to Euro 1,296,944.48.

LEGAL RESERVE - The legal reserve, amounting to Euro 289 thousand at December 31, 2023 is unchanged compared to December 31, 2022.

SHARE PREMIUM RESERVE - The share premium reserve, amounting to Euro 232,037 thousand at December 31, 2023, saw a net increase of Euro 63,494 thousand due to mergers and acquisitions carried out by the Group in 2023 and the exercise of stock option plans.

OTHER RESERVES - Other reserves, amounting to Euro 45,613 thousand at December 31, 2023, refer to:

- Euro 37,765 thousand (Euro 27,038 thousand at December 31, 2022) to non-distributable reserves;
- Euro 4,276 thousand (Euro 3,959 thousand at December 31, 2022) 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 4,135 thousand (negative Euro 8,330 thousand at December 31, 2022) to the treasury share purchase plan reserve. The number of treasury shares held by the Company at December 31, 2023 was 522,898 shares, which were tied to the purchase of the shares of the minority shareholders in SECO Mind S.r.l. (as described of the section "Business Combinations carried out by the Group").
- positive Euro 7,707 thousand (Euro 11,697 at December 31, 2022) to the cash flow hedge reserve.

TRANSLATION RESERVE - The translation reserve, amounting to Euro 215 thousand at December 31, 2023, 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, 2023, is unchanged from December 31, 2022.

RESERVE FOR LOSSES RECORDED IN OCI - The reserve, positive for Euro 109 thousand at December

31, 2023, includes the result of discounting employee benefits.

DIVIDENDS - In 2023 no dividends were distributed.

Description	Amount	Origin/Nature	Possible uses	Quota available	Uses in the three previous years
Share capital	1.296		A	1.296	
Share premium	232.037		A, B	232.037	
Legal reserve	289	Profits	B	289	
Extraordinary Reserve	37.765	Profits	A,B,C	37.765	
Merger reserve	-	Profits	A,B,C	-	
Cah flow hedge reserve	7.707		E	7.707	
IAS reserve	4.385	Assessment		4.385	
FTA Reserve	-371	Assessment		-371	
Revaluation reserve	-		A,B,C	-	
Ex SNC Reserve	-	Profits	A,B,C	-	
Other reserves	-	Profits	A,B,C	-	
Exchange gains reserve	-		E	-	
Translation reserve	-215		A,B,C	-215	
Residual amount distributable	-			-	
Shares in Portfolio	-4.135			-4.135	
Total	**278.759**			**278.759**	-

Key: A: for share capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory restrictions E: other

Incentive plans

At December 31, 2023, 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:

	Management 20 Shares	Management Performance Shares	IPO Management Plan	Management plan 24-27	CEO Plan 24-27 Part A	CEO Plan 24-27 Part B
Grant date	30/11/2020	30/11/2020	26/04/2021	31/08/2023	28/07/2023	28/07/2023
Vesting period	30/11/2020 - 30/06/2024	30/11/2020 - 30/06/2024	26/04/2021 - 26/04/2024	31/08/2023 - 31/5/2027	28/07/2023 - 30/04/27	28/07/2023 - 30/04/27
Period of exercise/ allocation	From May 2021, in stages	From June 2024	From May 2021, in stages	From May 2025, in stages	From April 25, in stages	From April 27
No. rights	2.500	1.000	5.280.000	1.980.000	3.000.000	1.000.000
Fair Value	2.080	189.054	1.923.373	2.449.588	3.516.000	736.073
Translation reserve	1:100	Minimum 1:2.800 Maximum 1:3.200	1:1	1:1	1:1	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	Management plan 24-27	CEO Plan 24-27 Part A	CEO Plan 24-27 Part B
Rights in circulation at 01/01/2023	**2.500**	**1.000**	**4.762.500**	**-**	**-**	**-**
Allocated during the year	-	-	-	1.980.000	3.000.000	1.000.000
Exercised during the year	-	-	728.550	-	-	-
Expired during the year	-	-	-	-	-	-
Rights in circulation at 31/12/2023	**2.500**	**1.000**	**4.033.950**	**1.980.000**	**3.000.000**	**1.000.000**

Non-controlling interest equity

Non-controlling interest equity amounted to Euro 21,875 thousand at December 31, 2023 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 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	**(277.419)**	**(1.034)**	**(278.454)**
Net result and equity of the consolidated companies	(54.732)	(14.077)	(68.809)
Elimination carrying amount of equity investments	143.674	-	143.674
PPA Fannal Electronics	(2.971)	-	(2.971)
PPA InHand Electronics	(1.656)	-	(1.656)
PPA SECO Mind	(1.931)	(169)	(2.100)
PPA Garz&Fricke Group	(103.329)	924	(102.405)
PPA Seco BH DOO	(36)	-	(36)
Elimination effects of inter-company transactions	535	(275)	260
Reserves and profit on non-controlling interests	19.107	2.766	21.873
Group Equity	**(278.759)**	**(11.864)**	**(290.624)**
Equity attributable to Non-Controlling Interests	(19.107)	(2.766)	(21.873)
Total Net Equity	**(297.866)**	**(14.631)**	**(312.497)**

(14) Employee benefits

Category	31/12/2023	31/12/2022	Change
Post-employment benefit provision employees	(2.921)	(2.524)	(397)
Post-employment benefit provision directors	(390)	(302)	(88)
Total employee benefits	**(3.312)**	**(2.827)**	**(485)**

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, 2023. 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. For the choice of the annual inflation rate, reference was made to the DEF 2023 published on September 27, 2023, which reports a consumption deflator for the years 2023, 2024 and 2025 of 5.6%, 2.4% and 2.0%, respectively. Based on that indicated and the current inflationary trends, it was considered appropriate to utilize for 2024 and subsequent years a constant inflation rate of 2.0%. 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 and employee post-employment benefit payables increased by Euro 485 thousand at December 31, 2023 compared to the previous year.

(15) Provisions for risks

Category	31/12/2023	31/12/2022	Change
Agent's supplementary indemnity provision	(102)	(78)	(24)
Other	(1.133)	(1.324)	191
Total other risks	**(1.235)**	**(1.402)**	**167**

The total consists of the provision for supplementary indemnity amounting to Euro 102 thousand and "Other", which is mainly composed of the provision for product warranty relating to SECO Northern Europe.

On December 19, 2023, the Tax Agency began a tax audit at the parent company's offices regarding direct and indirect taxes and tax credits referring to the years 2021 and 2022. This verification activity is still ongoing. Having not received a formal Tax Assessment to date and in the belief that we have always operated in compliance with tax regulations at present, no liability is likely in connection with such an audit and therefore no provision has been made in the financial statements.

(16) Deferred tax liabilities

At December 31, 2023, deferred tax liabilities totaled Euro 24,084 thousand. The item mainly includes the deferred tax liabilities arising from the purchase price allocation on the transaction for the transfer of the business unit from Camozzi Digital S.r.l and the Garz&Fricke customer list. The decrease of Euro 1,827 thousand compared to December 31, 2022 is mainly due to the release of the deferred tax liabilities for SECO Spa due to the amortization of the intangible assets identified on the above purchase price allocation.

(17) Non-current financial payables

Category	31/12/2023	31/12/2022	Change
Non-current financial payables	(106.928)	(129.213)	22.285
Total non-current financial payables	**(106.928)**	**(129.213)**	**22.285**

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, 2023.

It should also be noted that: the current and non-current loans payable, contracted by the Company for the acquisition of the Garz & Fricke Group (now renamed SECO Northern Europe), granted by a bank syndicate (Unicredit S.p.A., Intesa San Paolo S.p.A., Banco BPM S.p.A. and Banca Nazionale del Lavoro S.p.A.) for a total value at December 31, 2023 of Euro 108,864 thousand are counter-guaranteed by the shares of the acquired company; the loan (current and non-current) granted by the bank Monte dei Paschi di Siena S.p.A. for a total value as of December 31, 2023 of Euro 3,096 thousand is secured by a mortgage on the building for production use located in Arezzo.

(18) Non-current financial *lease* liabilities

Category	31/12/2023	31/12/2022	Change
Non-current financial lease liabilities	(8.603)	(6.077)	(2.526)
Total Non-current financial lease liabilities	**(8.603)**	**(6.077)**	**(2.526)**

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 in 2023 entered into new leasing contracts that mainly relate to the purchase of a new production line at SECO Northern Europe and the new lease agreement for the production plant in Fannal.

(19) Other non-current payables

Category	31/12/2023	31/12/2022	Change
Other non-current payables	(8)	(8)	-
Total other non-current payables	**(8)**	**(8)**	**-**

Other non-current payables at December 31, 2023 mainly include security deposits and is unchanged on the previous year.

(20) Current financial liabilities

Category	31/12/2023	31/12/2022	Change
Current financial liabilities	(11.031)	(21.675)	10.644
Total current financial liabilities	**(11.031)**	**(21.675)**	**10.644**

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, 2023.

(21) Current portion of non-current financial payables

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

Category	31/12/2023	31/12/2022	Change
Current portion of non-current financial payables	(11.211)	(9.705)	(1.506)
Current portion of non-current financial payables	**(11.211)**	**(9.705)**	**(1.506)**

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

(22) Current financial lease liabilities

Category	31/12/2023	31/12/2022	Change
Non-current financial lease liabilities	(2.126)	(1.719)	(407)
Total Non-current financial lease liabilities	**(2.126)**	**(1.719)**	**(407)**

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.

The increase of Euro 407 thousand compared to December 31, 2022 is due to the application of IFRS 16 to the lease agreements of the Fannal, SECO USA and SECO Mind plant.

(23) Trade payables

Category	31/12/2023	31/12/2022	Change
Trade payables	(36.402)	(44.009)	7.607
Total trade payables	**(36.402)**	**(44.009)**	**7.607**

The account includes accounts payable for production supplies, capital expenditures and services received at December 31, 2023. The decrease of Euro 7,607 thousand is due to the gradual decrease in average procurement times.

(24) Other current liabilities

"Payables to social security institutions and personnel" increased Euro 529 thousand due to higher personnel costs. The decrease in "Other payables" of Euro 1,468 thousand compared to December 31, 2022 is mainly due to the closure of advances from customers.

Category	31/12/2023	31/12/2022	Change
Accrued liabilities	(1.067)	(1.138)	71
Payables to social security institutions	(7.879)	(6.943)	(936)
Other liabilities	(1.271)	(2.739)	1.468
Advances - contract liabilities	(1.512)	(1.438)	(74)
Total other current liabilities	**(11.728)**	**(12.257)**	**529**

(25) Tax payables

Category	31/12/2023	31/12/2022	Change
Tax payables	(5.724)	(1.893)	(3.831)
Tax payables	(3.608)	(1.978)	(1.630)
Total Tax payables	**(9.332)**	**(3.871)**	**(5.461)**

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	31/12/2023	31/12/2022	Change	Change %
EMEA	165.921	155.787	10.134	6,51%
of which Italy	*71.822*	*78.755*	*(6.934)*	*-8,80%*
USA	28.160	26.929	1.231	4,57%
APAC	15.717	14.875	841	5,66%
Rest of the world	24	3.315	(3.291)	-99,28%
Revenues by region	**209.822**	**200.906**	**8.916**	**4,44%**

Revenues rose from Euro 200,906 thousand in 2022 to Euro 209,822 thousand in 2023, increasing 4.44% on the previous year. This increase stems from a mix of stabilization and growth in the main geographical areas in which the Group operates compared to the same scope in the previous year.

Specifically:

- in EMEA, for an increase of Euro 10,134 thousand (+6.51%), driven by growing sales volumes to long-standing Group customers, principally on the German and Swiss markets;
- in the United States, with an increase of Euro 1,231 thousand (+4.57%), as a result of the stable growth of sales volumes to long-standing customers;
- in the APAC region, with an increase of Euro 841 thousand (+5.66%), mainly due to consistent revenue growth from the sale of touch screens and TFT's, in addition to the acquisition of new customers.

(27) Other revenue and income

Other revenues and income amounted to Euro 2,152 thousand in 2023, compared to Euro 4,371 thousand in 2022.

Category	31/12/2023	31/12/2022	Change	Change %
Operating grant tax credit R&D	960	1.437	(477)	-33,19%
Capital grant tax credit Industry 4.0	409	654	(245)	-37,40%
Other operating grants	560	727	(166)	-22,90%
Other revenues and income	222	1.553	(1.331)	-85,73%
Total other revenues and income	**2.151**	**4.371**	**(2.219)**	**-50,78%**

This account mainly includes:

- the operating grant tax credit for research and development amounting to Euro 960 thousand;
- the capital grant tax credit for the purchase by SECO S.p.A. of instrumental goods under "Industry 4.0" amounting to Euro 409 thousand;
- of the pro-rata contribution related to the Group's participation in the tenders: "Eupex" for Euro 433 thousand and "Attract" for Euro 115 thousand;

The decrease of Euro 2,219 thousand on the previous year is mainly due to the discounting of the Laserwall S.r.l. receivable for which a deferment plan was granted, as required by IFRS 9, for Euro 1,281 thousand.

(28) Raw materials, ancillary, consumables and goods

Costs of raw materials, ancillary, consumables and goods for resale amounted to Euro 101,684 thousand in 2023, compared to Euro 128,982 thousand in 2022, a decrease of Euro 27,298 thousand. The effect of this decrease is mainly due to the gradual normalization of prices and component market delivery times; in the preceding period in fact, following the procurement difficulties and extensive lead times, the Group significantly increased its stock of materials in order to ensure the availability of components and to meet the deliveries scheduled for the subsequent quarters.

(29) Service costs

Category	31/12/2023	31/12/2022	Change
Transport costs	3.498	3.135	363
Commission costs	1.214	1.344	(130)
Rentals and operating leases	2.513	1.849	665
Maintenance costs	585	437	148
Consultancy costs	3.380	4.347	(967)
Bank charges	142	116	26
Administrative and utility costs	2.780	3.337	(557)
Other taxes	341	228	114
Outsourcing costs	3.123	1.673	1.450
Marketing costs	1.861	1.329	532
Insurance costs	573	565	8
Service costs	**20.010**	**18.360**	**1.650**

Service costs amounted to Euro 20,010 thousand in 2023, compared to Euro 18,360 thousand in 2022.

Specifically, the increase in Service costs in the year can be attributed to:

- the increase in Transport costs to Euro 3,498 thousand in 2023;
- the increase in rentals and operating leases of Euro 665 thousand is mainly due to higher costs incurred for fees related to software licenses used in R&D and the costs of short-term or low-value car rentals;
- increase in outsourcing costs of Euro 1,450 thousand, mainly due to an increase at SECO S.p.A. and SECO Northern Europe Gmbh;
- administrative and utility costs, amounting to Euro 2,780 thousand in the year, a decrease of Euro 557 thousand compared to the previous year, mainly due to the streamlining and normalization of electricity supply costs, which had increased due to rising electricity prices throughout 2022;
- consultancy costs, which amounted to Euro 3,380 thousand in the year, a decrease of Euro 967 thousand compared to the previous year, related to the more efficient use of external consultants, particularly at the overseas subsidiaries SECO Mind USA, LLC and Piri.ai, Inc.

(30) Personnel expenses

Category	31/12/2023	31/12/2022	Change
Salaries and wages	27.464	24.740	2.724
Social security costs	6.516	5.579	936
Post-employment benefit provision	904	946	-42
Other personnel costs	5.773	3.617	2.156
Total personnel costs	**40.657**	**34.882**	**5.774**

Personnel expense in 2023 totaled Euro 40,657 thousand, increasing Euro 5,774 thousand compared to the previous year. The main component of the increase on the previous year concerns salaries and wages and other personnel costs. This increase is mainly attributable to: i) costs related to the expanded Group level workforce, due to the new hires of key figures in 2023 to support the development plans in terms of R&D, production and sales; ii) recognition of the cost of stock option plans allocated to the management team and employees for Euro 743 thousand; iii) introduction of meal vouchers to the employees of the Group's Italian companies for Euro 234 thousand; iv) higher cost incurred for employee travel and transfers related to the integration of the parent company and SECO Northern Europe Gmbh and of the increased use of temporary workers.

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

Category	2023	2022
Executives (*)	40	39
White-collar	478	467
Blue-collar	293	329
Average no. employees	**811**	**835**

(*) 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 18,653 thousand in 2022 to Euro 20,435 thousand in 2023, an increase of Euro 1,782 thousand. This was mainly attributable to the parent company SECO S.p.A. due to the increased investment, in addition to higher amortization and depreciation related to the acquisition of the Camozzi business unit in the second half of 2022.

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

The item, amounting to Euro 28 thousand, mainly includes the provision for agent supplementary severance indemnities for Euro 24 thousand.

(33) Other operating costs

Category	31/12/2023	31/12/2022	Change
Directors' fees and related charges	3.329	1.912	1.418
Board of Statutory Auditors' fees	82	80	2
Travel and transfer costs	343	299	44
Losses on receivables	45	40	5
Other operating costs	3.771	2.785	986
Total other operating costs	**7.570**	**5.116**	**2.454**

Total other operating costs of Euro 7,570 thousand in 2023 increased by Euro 2,454 thousand on 2022. The increase is mainly due to the "Directors' fees and relative charges" item, with an increase of Euro 1,418 thousand on the previous year, mainly due to the reclassification of the directors' fees of the German Group company SECO Northern Europe Gmbh, previously reclassified to personnel costs, and the increase in the cost of stock option plans assigned to the directors. The increase in other operating costs for Euro 986 thousand derives mainly from the increase in the costs for the prototype for the R&D projects in progress, and the commercial costs to support customers related to the awarding of new development projects.

(34) Financial income and charges

	31/12/2023	31/12/2022	Change
Financial income	(4.433)	(315)	(4.118)

Total financial income of Euro 4,433 thousand in 2023 increased Euro 4,118 thousand on the previous year due to interest income on derivative hedging contracts.

	31/12/2023	31/12/2022	Change
Interest charges on loans	8.436	1.367	7.069
IFRS 16 interest charges	146	100	45
Other financial charges	1.190	3.799	(2.609)
Total financial charges	**9.772**	**5.266**	**4.506**

Total financial charges increased from Euro 5,266 thousand in 2022 to Euro 9,772 thousand in 2023. This increase is mainly due to higher interest rates on short-term credit lines and on medium to long-term bank debt.

(35) Income taxes

Category	31/12/2023	31/12/2022	Change
IRES	51	44	6
IRAP	513	521	(8)
Foreign taxes	5.224	1.754	3.470
Prior year taxes	(27)	(1)	(27)
Deferred tax charges	(1.158)	175	(1.332)
Income taxes for the year	-	-	-
Total income taxes	**4.603**	**2.494**	**2.109**

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	31/12/2023			31/12/2022		
	Taxable	Rate %	Tax	Taxable	Rate %	Tax
Profit before taxes	**19.234**			**17.064**		
Profit before tax foreign companies	18.353			11.271		
Assessable and theoretical IRES tax	**881**	**24%**	**(212)**	**5.793**	**24%**	**(1.390)**
Temporary differences	5.649			1.888		
Permanent differences	(3.380)			(3.598)		
Deductible losses	0			(636)		
ACE deduction	(2.251)			(2.889)		
Effects of consolidation entries or transition to IAS/IFRS	318			399		
Assessable and actual IRES tax	**215**	**24%**	**(51)**	**957**	**24%**	**(230)**
Effective tax charge		*5.9%*			*4.0%*	
Other tax items						
Actual taxes of foreign Group companies			(5.224)			(2.966)
IRAP taxes	11.134	3.9%	(513)	11.247	3.9%	(521)
Income taxes for the year IRES - IRAP			**(5.789)**			**(3.717)**

On December 19, 2023, the Tax Agency opened a tax audit for Direct taxes, IRAP, VAT, Withholding Taxes and Tax Credits purposes for the 2021 and 2022 tax periods. The tax audit as of the date of preparation of these financial statements is still ongoing.

(36) Basic earnings per share

Category	31/12/2023	31/12/2022
Group net profit [A]	**11.864**	**11.039**
Number of shares at the beginning of the year	117.624	110.041
Number of shares at the end of the year	132.453	117.624
Weighted average number of shares for basic EPS [B]	128.267	113.472
Basic earnings per share (Euros) [C]=[A]/[B]	**0,09**	**0,10**

(37) Diluted earnings per share

Category	31/12/2023	31/12/2022
Group net profit [A]	**11.864**	**11.039**
Number of shares at the beginning of the year	122.649	115.321
Number of shares at the end of the year including dilutive effect	137.039	122.649
Weighted average number of shares for diluted EPS [B]	132.997	118.638
Diluted earnings per share (Euro) [C]=[A]/[B]	**0,09**	**0,09**

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	31/12/2023			31/12/2022		
	Gross value	Tax (Charge)/ Benefit	Net value	Gross value	Tax (Charge)/ Benefit	Net value
Translation differences	(1.785)	-	(1.785)	(50)	-	(50)
Net gain/(loss) on Cash Flow Hedge	(3.990)	-	(3.990)	12.458	-	12.458
Discounting of employee benefits	(131)	32	(99)	522	(148)	375
Total comprehensive income	**(5.906)**	**32**	**(5.874)**	**12.931**	**(148)**	**12.783**

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 S.r.l.	Wholly-owned subsidiary of 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.	4.47% shareholder of the Parent Company
Legal person	7-Industries	11.22% shareholder of the Parent Company
Legal person	DSA S.r.l.	16.51% shareholder of the Parent Company, 100% controlled by Conti Daniele
Legal person	HSE S.r.l.	16.48% shareholder of the Parent Company, 100% controlled by Secciani Luciano
Legal person	HCS S.r.l.	7.35% shareholder of the Parent Company, 50% controlled by Secciani Luciano and 50% by Conti Daniele
Legal person	Camozzi Group S.p.A.	6.22% shareholder of the Parent Company
Legal person	Olivetti S.p.A.	7.73% shareholder of the Parent Company
Legal person	Laserwall S.r.l.	Company 8.94% owned by HCS S.r.l. and 8.51% owned by Seco S.p.A.
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
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

Type	List of Related parties	Type and main nature of relationship
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 27/04/2023
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	Tosja Zywietz	Director of the BoD of the Parent Company, appointed on 02/04/2023
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.

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

The fees in 2023 of the Board of Directors of the parent company totaled Euro 913 thousand (Euro 814 thousand in 2022), while those of the Board of Statutory of Auditors totaled Euro 80 thousand (Euro 80 thousand in 2022). The company also recognized a charge of Euro 2,110 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 419 thousand in 2023 (Euro 348 thousand in 2022).

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 Regulations, shows the payments made in 2023 for audit and other services provided by the independent auditors and entities associated with them.

Type of service	Service provider	Company	2023 Fees
Audit	Deloitte & Touche S.p.A.	Parent Company	135
	Deloitte Germany	Subsidiaries	94
	Deloitte China	Subsidiaries	17
Certification services (R&D bonus)	Deloitte & Touche S.p.A.	Parent Company	165
	Deloitte & Touche S.p.A.	Parent Company	5
	Deloitte & Touche S.p.A.	Subsidiaries	3
Total			**419**

3.7| Subsequent events

It should be noted, in accordance with IAS 10(9), that no events have occurred from December 31, 2023, to the date of approval of this financial report that could have a significant impact on the financial performance or standing as presented herein.

Balance Sheet accounts	CUBIT S.c.a.r.l	Board of Directors	Board of Statutory Auditors	SB and Internal Committees	Laserwall	Camozzi	Finsystem 2.0 S.r.l.	Studio Legale Ristuccia Tufarelli & Partners	Total	Total book value	% on total account items
Non-current financial assets	65	-	-	-	1,004	-	-	-	1,069	13,201	8.10%
Trade receivables	87	-	-	-	4,955	2	-	-	5,044	49,489	10.19%
Other receivables	-	260	-	-	-	-	-	-	260	4,077	6.38%
Employee benefits	-	390	-	-	-	-	-	-	390	3,312	11.79%
Trade payables	113	0	40	68	-	-	-	-	221	36,402	0.61%
Other payables	0	715	-	-	-	-	-	-	715	11,728	6.09%

Income Statement accounts	CUBIT S.c.a.r.l	Board of Directors	Board of Statutory Auditors	SB and Internal Committees	Laserwall	Camozzi	Finsystem 2.0 S.r.l.	Studio Legale Ristuccia Tufarelli & Partners	Total	Total book value	% on total account items
Revenues from sales	1	-	-	-	1,927	1,003	-	-	2,931	209,822	1.40%
Other revenues and income	-	-	-	-	(1,281)	18	-	-	(1,263)	2,151	(58.72%)
Raw materials, ancillaries, consumables and goods	12	-	-	-	-	-	-	-	12	101,684	0.01%
Service costs	253	-	-	-	-	-	27	**9**	290	20,010	1.45%
Other operating costs	-	2,346	82	68	-	-	-	-	2,496	7,570	32.97%

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 2023.
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 18, 2024

Signed: Massimo Mauri
Chief Executive Officer

Signed: Lorenzo Mazzini
Executive Officer for Financial Reporting

Deloitte.

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 Seco S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of income, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, 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.

Recoverability of the goodwill	
Description of the key audit matter	The consolidated financial statements as of December 31, 2023 include Goodwill amounting to Euro 165,216 thousand. This Goodwill, in compliance with "IAS36 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 Management, 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. 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 illustrative notes of the consolidated financial in the paragraph "Recoverable amount of non current assets" describe the management's assessment process and note (4) "goodwill" discloses the methods and parameters used by Management for the impairment test and the sensitivity analysis.
Audit procedures performed	We have carried out the following procedures, with the involvement of our Experts too: • Observeing and understanding the procedures and relevant controls carried out by the Management for the preparation and approval of the impairment test; • Obtained an understanding of the method used by the Management, also with the support of the independent expert for the CGU Seco Northern Europe, 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 for the CGU Seco Northern Europe, 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;

- verification of the sensitivity analysis carried out by the Management both in terms of increase and decrease of g rate and WACC and reduction of future cash flows.

Furthermore, we examined the adequacy of the disclosures provided by the Group in the consolidated financial statements as of December 31, 2023 on the impairment test and its compliance with IAS 36.

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. has appointed us on 1 March 2021 as auditors of the Company for the years from 31 December 2021 to 31 December 2029.

We declare that we have not provided prohibited 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 31 December 2023, 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 31 December 2023 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 illustrative 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 31 December 2023, 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 31

December 2023 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 31 December 2023 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 us by other auditor.

DELOITTE & TOUCHE S.p.A.

Signed by
Neri Bandini
Partner

Florence, Italy
29 March 2024

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