SECO S.p.A.

QUARTERLY REPORT
AS AT SEPTEMBER 30, 2021

SECO S.p.A.
Registered office in Arezzo, via A. Grandi 20
Share capital euro 1.048.343,74
VAT number 00325250512
Companies Registry Arezzo n. 4196

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CORPORATE BODIES

Board of Directors

In office until the Shareholders' Meeting to approve the financial statements as at 31/12/2023

Chairman	Daniele Conti
Chief Executive Officer	Massimo Mauri
Board members	Claudio Catania
	Emanuela Sala
	Luca Tufarelli
	Luciano Lomarini
	Michele Secciani
	Elena Crotti
	Giovanna Mariani
	Diva Tommei

Board of Statutory Auditors

In office until the Shareholders' Meeting to approve the financial statements as at 31/12/2023

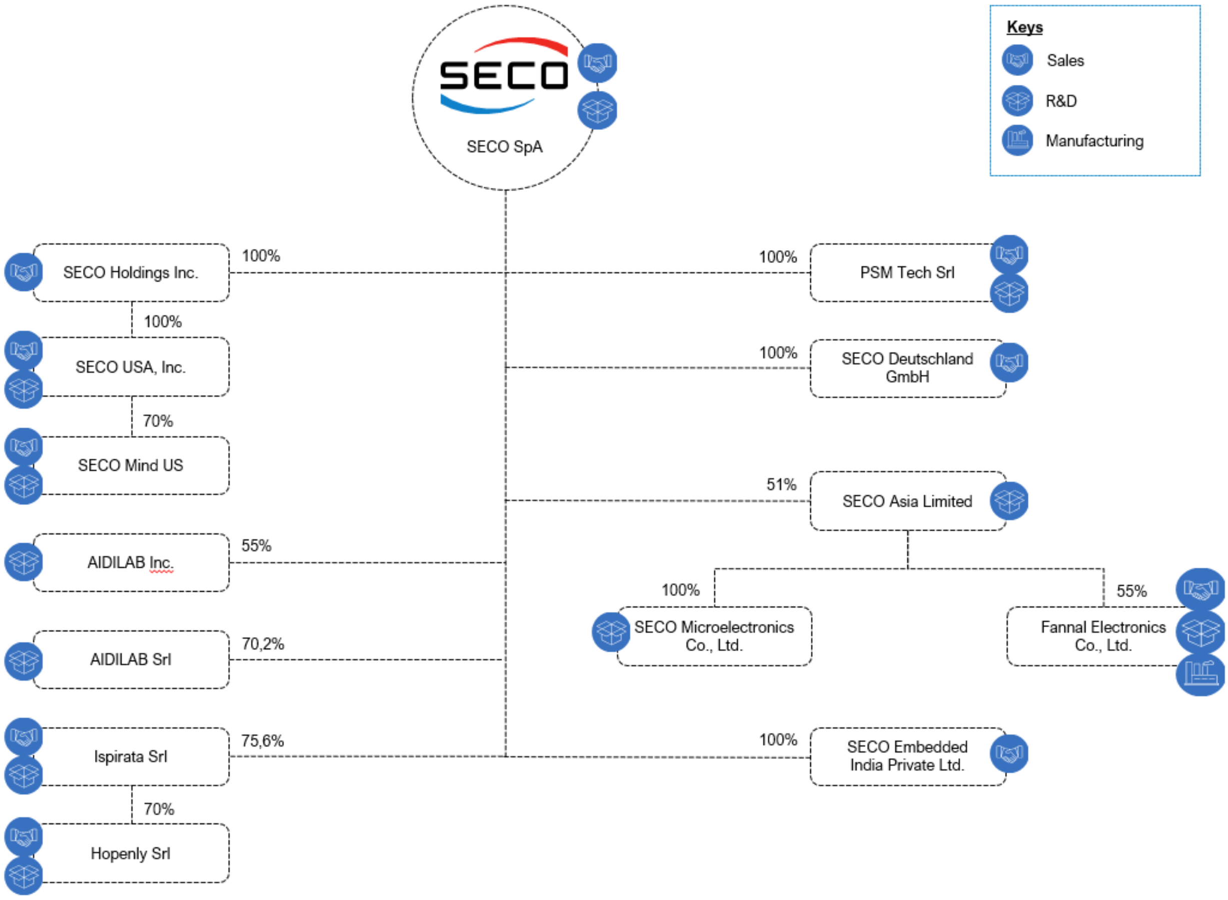
Standing Auditors	Pierpaolo Guzzo (Chairman)
	Gino Faralli
	Fabio Rossi
Alternate Auditors	Marco Badiali
	Maurizio Baldassarini

Financial Reporting Officer	Lorenzo Mazzini
External Auditors	Deloitte & Touche S.p.A.

In office until the Shareholders' Meeting to approve the financial statements as at 31/12/2029

THE GROUP AND ITS BUSINESS

The SECO Group (hereinafter, also the “Group” or “SECO”) is composed of the parent company SECO S.p.A., hereinafter, also the “Company” or “Parent Company", and its subsidiaries, as shown in the chart below:



The Company's registered office is located in Via Achille Grandi no. 20, in Arezzo (AR).

SECO is an industrial group that operates in high-tech computer miniaturization and the Internet of Things (IoT). In a market characterised by extensive evolution and sharp growth, it always manages to stand out thanks to its innovative, customised solutions it guarantees to its clients.

REFERENCE ECONOMIC SCENARIO AND SECTOR PERFORMANCE

The dissemination of digital technologies is defining a new scenario: the era of interconnected devices, analytics, and artificial intelligence. The ever-growing number of smart devices, capable of processing data on the field (edge computing), connected between each other and with the cloud, is opening the doors for the establishment of new business models, creating enormous development opportunities, and contributing to improving people's quality of life, safety, and security.

The evolution of technologies such as Cloud Computing, Big Data and Analytics, Artificial Intelligence and the Internet of Things has accelerated the digital transformation of company processes and the way that companies approach the creation, access, and use of ICT products and services, throughout the world.

In a context such as the current one, where the speed of execution and time-to-market are crucial elements not only in order for companies to be competitive but also to survive, we are seeing a drive towards digitalisation throughout the world.

The Covid-19 pandemic undoubtedly contributed to accelerating this trend, bringing digitalisation to numerous sectors and areas of daily life which had always been far from this world. This trend also expanded in the industrial sector, where companies in all the primary sectors are demanding ever increasing digitalisation and interconnection of their products. The significant recovery programs to relaunch and incentivise investments that are being implemented by numerous countries in the world will contribute to further accelerating these trends, resulting in the growth of the number of connected devices and IoT at rates much higher than the double digit, as recognised by all the leading authoritative sector analysts.

PERFORMANCE OF OPERATIONS

In February, the SECO Group launched CLEA, an innovative end-to-end software platform capable of collecting data in the field, transfer them to the cloud and making them available on a customised basis, analysing them in real time to return high value-added information to support clients' decision-making process and business.

Created to accelerate the full, effective digitalisation of SECO clients, CLEA combines elements of hardware (gateway switches, sensors), software (dedicated operating systems) and artificial intelligence with customisable dashboards for management and control, integrated into a single solution that combines centralised (cloud computing) and local (edge computing) computing capacity.

That platform integrates the expertise SECO has acquired over the years in the fields of Artificial Intelligence, IOT and data orchestration. The CLEA solution has also been designed to be compatible with all types of hardware, developed either by SECO or by clients and/or third parties.

The launch of CLEA was accompanied by the creation of SECO Mind, which is the result of the merger concluded in July 2021 of the three companies acquired by SECO from 2018 to 2020 to expand its IoT offer: Aidilab Srl, a creative laboratory of interaction design, Ispirata Srl, a start-up specializing in open-source middleware and software solutions for data orchestration applications in the Embedded, IoT and Industry 4.0 sectors, and Hopenly Srl, specializing in machine learning and artificial intelligence projects. The merger has been finalised on July 1, 2021, with retroactive accounting effects starting from January 1, 2021.

In March, SECO Group signed a partnership agreement with Microsoft for the introduction and dissemination of IoT technologies, combining the flexibility and power of the Microsoft Azure platform with the versatility offered by CLEA applications: designed to assist businesses that seek to speed up their digital transformation, the agreement provides for the CLEA end-to-end platform to be natively hosted on the Microsoft Azure cloud platform and to be made available worldwide on the Microsoft Commercial Marketplace, thus facilitating the use of this integrated solution by clients, system integrators and business partners of SECO and Microsoft.

The initiatives listed above are part of a wider strategy adopted by SECO to increase the value created for its clients, through an extensive offer of highly innovative, integrated, and customised hardware and software solutions, based on a "one-stop shop" approach that significantly reduces technological complexity and supply chain management for clients.

Those solutions are successfully employed in numerous vertical markets such as Fitness, Biomedical, Industrial Automation, Vending, Entertainment, Transportation, and many others. They are the result of the integration of the diversified skills that the Group has gradually acquired and developed over the years, also through targeted actions of growth through external lines: among these, we note, in addition to the aforementioned Aidilab, Ispirata and Hopenly, the acquisitions of Fannal Electronics Co., Ltd. (2019) and InHand Electronics Inc. (2020), aimed at ensuring a vertical integration in the human-machine interfaces development, acquiring significant R&D expertise and increasing the Group's commercial and operational presence in the Asian and American markets.

Moreover, in June 2021 the Group completed the acquisition of the IoT and AI business unit from the US companies ORO Networks LLC and Piri.ai INC, throught its subsidiary SECO MIND USA LLC.

On August 3, 2021, SECO signed a long-term partnership agreement with Olivetti SpA to jointly work on the development, marketing and sale of smart hardware and software solutions, to support the acceleration in the process of digitalisation of companies.

In light of the agreement, SECO and Olivetti significantly strengthen their industrial partnership for the supply of hardware devices currently included in SECO's product catalogue, as well as for the co-development of hardware and software solutions dedicated specifically to Olivetti and to be distributed with the brand "Olivetti powered by SECO". Such solutions will find application both in sectors in which Olivetti has launched a dedicated proposition (smart cities, urban services, industrial automation, smart agriculture, etc.) and in the digital payment systems sector, as well as in the world of connected devices.

This partnership was conceived to accelerate the digital transformation process of the TIM Group's business clients, both in the Large and Small-Medium Enterprises segments, as well as the Public Administration sector.

Products released by Olivetti thanks to the industrial partnership with SECO will be sold in exclusivity by the TIM Group's sales force.

Based on this agreement, Olivetti will significantly rationalise its supply chain and accelerate the time-to-market of its products, being able to count on the R&D expertise of SECO as Olivetti's technology partner and preferred supplier for the world of IoT solutions: SECO will ensure the qualitative standards and the efficiency of the product manufacturing processes, as well as the efficient management of the supply chain and the optimisation of the activities related to the production phase. In addition, SECO will make its System Integration, Hardware Development, Software Development, Validation & Verification teams available, together with its simulation and testing labs so as to minimize the certification and launch of the new products developed within the context of the partnership.

Moreover, on August, 3 2021 Olivetti increased its shareholding in SECO from 7% to 9.6% of the capital. That operation was carried out through the purchase of 2,773,943 shares previously held by Fondo Italiano di Investimento SGR S.p.A., whose shareholding in SECO thus decreased from 8.1% to 5.5% of the capital.

Research and Development and technological innovation

The creation of a new product starts with a study of the reference market by the Group, in order to understand the needs and trends deemed most meaningful. These activities form the Group's Research and Development processes, focused on the need to create, and market products that are not only innovative, but also meet potential or current market demand. The constant striving for innovation by all players in the sector is an element that can render a technological competitive advantage obsolete. In order to deal with this risk, the Group dedicates many resources to Research and Development, to which it allocated around 10% of its turnover in 2020.

Research and Development is central to the SECO Group's business model and is developed both internally and through partnerships with Italian technology companies, research institutes and university hubs. Research and Development is responsible for developing and designing technological solutions based on integrated systems, connectivity devices, standard and custom modules for the Group's clients and reference markets.

Thanks to Research and Development, SECO is able to introduce an average of 20 new products on the market per year. The percentage of Group employees working in Research and Development is greater than 30%. Those employees are responsible for designing new products and solutions to be marketed and for the process of co-development and co-engineering of customised products and solutions, working in close contact with the client. The Group also operates through five hubs dedicated to Research and Development, located in Italy, the United States and China.

SECO on the Stock Exchange

In May 2021, the Group successfully concluded the process of admission to listing of its shares on the STAR segment of the Mercato Telematico Azionario (Electronic Equity Market) organised and managed by Borsa Italiana S.p.A. (“MTA"). As a result of that operation, a share capital increase of around Euro 100 million was collected, to be allocated to finalising acquisition operations to accelerate growth in size and further increase the international presence and portfolio of technological solutions offered by the Group.

The approval of the Prospectus by the National Commission for Companies and the Stock Exchange (CONSOB), received on April, 21 2021, was followed by institutional placement activities, concluded on April, 30 2021. That activity generated significant interest in the Group by leading investors located in Italy, the United Kingdom, Germany, the United States and the rest of Europe, with total demand exceeding Euro 400 million, or around 2.5 times the size of the offer.

The first day of trading was May, 5 2021, at an initial offer price set at Euro 3.7 per share. On June, 30 2021, the share price was Euro 3.83 per share, up by 3.38% on the initial offer price, and equal to capitalisation of around Euro 411 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT AS AT SEPTEMBER 30, 2021

Consolidated Statement of Financial Position

	Notes	30/09/2021	31/12/2020
Property, Plants and Equipments		12,673	13,272
Intangible assets		19,363	12,996
Rights of use		2,526	1,912
Goodwill		14,802	7,066
Non-current financial assets		305	246
Deferred tax assets		671	623
Other non-current assets		574	492
Total non-current assets	**(1)**	**50,913**	**36,607**
Inventories		39,033	31,417
Trade receivables		23,376	15,029
Tax receivables		2,353	9,080
Other receivables		3,286	2,556
Cash and cash equivalents		108,952	23,678
Total current assets	**(2)**	**177,000**	**81,760**
TOTAL ASSETS		**227,914**	**118,367**
Share Capital		1,048	776
Share premium reserve		105,607	14,781
Reserves		30,636	24,231
Group profit (loss)		3,892	4,038
Total Group Shareholders' Equity	**(3)**	**141,183**	**43,826**
Equity of Non-controlling interests		10,577	5,700
Net profit / (loss) of the year of Non-controlling interest		1,439	1,438
Minority interests		**12,015**	**7,138**
Total Shareholders' Equity		**153,198**	**50,964**
Employee benefits		2,983	2,973
Provisions		89	89
Deferred tax liabilities		43	43
Non-current financial liabilities		25,570	26,087
Non-current lease liabilities		1,674	1,194
Other Non-Current Liabilities		609	608
Total non-current liabilities	**(4)**	**30,968**	**30,994**
Current financial liabilities		9,039	8,540
Current part of N-C Financial Liabilities		6,356	5,163
Current lease liabilities		582	537
Trade payables		19,344	15,289
Other payables		6,402	5,393
Current tax liabilities		2,025	1,487
Total current liabilities	**(5)**	**43,748**	**36,409**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**227,914**	**118,367**

Consolidated Income Statement

	Notes	30/09/2021	30/09/2020
Net sales		66,916	54,852
Other revenues and income		1,784	2,491
Total revenues and operating income	**(6)**	**68,701**	**57,343**
Costs for services, goods and other operating costs		(43,005)	(36,754)
Personnel costs		(14,069)	(11,502)
Total costs and other operating charges	**(7)**	**(57,074)**	**(48,257)**
Amortisation and depreciation	**(8)**	(4,509)	(3,068)
Provisions and write-downs		0	(40)
Operating profit/(loss)		**7,117**	**5,979**
Financial income and charges		(413)	(111)
Exchange gains/(losses)		429	(150)
Profit/(loss) before tax		**7,133**	**5,718**
Income taxes		(1,803)	(1,432)
Profit/(loss) for the year		**5,331**	**4,286**
Minorities' profit/(loss)		1,439	1,036
Group profit/(loss)		**3,892**	**3,250**
Net profit per share		0.06	5.59
Dividend per share		0.06	5.59

For the income statement data as at September 30, 2020, as the Group was not required, at the time, to draw up interim reports, it drafted a management consolidated income statement.

SECO

Consolidated Statement of Comprehensive Income

	30/09/2021	30/09/2020
Profit/Loss for the year	**5.331**	**4.286**
Other comprehensive income/(loss) that will subsequently be reclassified to the income statement:	**863**	**(328)**
Exchange differences from conversion	863	(328)
Other comprehensive income/(loss) that will not subsequently be reclassified to the income statement:	**0**	**0**
Discounting of employee benefits	0	0
Taxation of discounting of employee benefits	0	0
Total comprehensive income for the year	**6.193**	**3.957**
Minority shareholders	1.796	994
Shareholders of the Parent Company	4.397	2.963
Total comprehensive income/(loss) for the year	**6.193**	**3.957**

Consolidated Cash Flow Statement

	30/09/2021
Profit/Loss for the year	**5,331**
Income taxes	1,803
Amortisation and depreciation	4,509
Net change in employee benefits	10
Costs for share-based payments	1,833
Cash flow before changes in NWC	**13,485**
Changes in trade receivables	(8,144)
Changes in inventories	(7,617)
Changes in trade payables	4,055
Other changes in net working capital	5,741
Other changes in non-current receivables and payables	(123)
Changes in Provisions for Risks	0
Income taxes paid	0
Cash flows from operating activities (A)	**7,397**
(Investments)/Divestments in tangible fixed assets	(1,315)
(Investments)/Divestments in intangible fixed assets	(7,544)
(Investments)/Divestments in financial assets	(59)
Business combination net of cash and cash equivalents	(5,941)
Acquisition of subsidiaries net of cash and cash equivalents	0
Cash flow from investment activities (B)	**(14,859)**
Raising/(Repayment) of non-current financial payables	676
Raising/(Repayment) of current financial liabilities	500
Raising/(Repayment) of financial liabilities from leases	(401)
Dividends paid	0
Net increase in capital against payment	91,098
Share capital increases of subsidiaries	0
Cash flow deriving from financing activities (C)	**91,872**
Increase (decrease) in cash and cash equivalents (A+B+C)	**84,411**
Cash and cash equivalents at the beginning of the year	**23,678**
Conversion differences	863
Cash and cash equivalents at the end of the year	**108,952**

Given than, in 2020, the Group was not required to prepare interim financial statements, it is only reported, at a cash flow statement level, the situation as of the current quarter.

Statement of Changes in Consolidated Shareholders' Equity

	January 1, 2021	Share Capital increase	Allocation of profit	Dividendi distribuiti	Other changes	Comprehensive income/(loss)	June 30, 2021
Share Capital	776	272	0	0	0	0	1,048
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	14,781	99,628	0	0	(8,802)	0	105,607
Other reserves	24,850	0	4,038	0	1,862	0	30,750
Translation reserve	(432)	0	0	0	0	505	73
FTA reserve	(371)	0	0	0	0	0	(371)
Discounting of employee benefits	(105)	0	0	0	0	0	(105)
Group profit (loss)	4,038	0	(4,038)	0	0	3,892	3,892
Group Shareholders' Equity	**43,826**	**99,900**	**0**	**0**	**(6,940)**	**4,397**	**141,183**
Minority interests in shareholders funds	5,701	3,120	1,438	0	(39)	358	10,578
Discounting of employee benefits	(1)	0	0	0	0	0	(1)
Minority interests in profit (loss)	1,438	0	(1,438)	0	0	1,439	1,439
Minority interests	**7,138**	**3,120**	**0**	**0**	**(39)**	**1,796**	**12,015**
Total Shareholders' Equity	**50,964**	**103,020**	**0**	**0**	**(6,979)**	**6,193**	**153,198**

COMMENTS ON THE CONSOLIDATED ACCOUNTING STATEMENTS

(1) Total non-current assets

Total non-current assets rose from Euro 36,607 thousand to Euro 50,913 thousand, recording an increase of Euro 14,306 thousand. That change mainly derives from:

- an increase in Intangible assets of Euro 6,367 thousand, following the capitalisation of costs for Research and Development projects incurred up to the third quarter of 2021;
- an increase in Goodwill of Euro 7,737 thousand, related to the acquisition of the IoT and AI business unit from the US companies ORO Networks LLC and Piri,ai INC.

(2) Total current assets

Total current assets rose from Euro 81,760 thousand to Euro 177,000 thousand, recording an increase of Euro 95,240 thousand. That change was mainly composed of:

- increase in Inventories of Euro 7,616 thousand, deriving from the Group's need to ensure provision of the raw materials necessary to carry out the production cycle at a historical moment of extreme uncertainty on the raw materials procurement market;
- increase in Trade receivables of Euro 8,347 thousand, due to the joint effect of the increase in turnover with existing as well as new clients;
- decrease in Current tax assets of Euro 6,727 thousand, due to the collection of the VAT credit of Euro 4,000 thousand and the gradual use of the R&D tax credit;
- increase in Cash and cash equivalents of Euro 85,274 thousand, mainly due to the cash collected through the finalisation of the IPO process.

(3) Equity attributable to the owners of the Company

Total Group Equity of Euro 141,183 thousand reported an increase of Euro 97,355 thousand in the first three quarters of 2021, mainly due to the capital increase following the finalisation of the IPO process (Euro 99,900 thousand), the net result of the period (Euro 4,397 thousand) and the joint effect of the increase of reserves in connection with the accounting of the cost of the Stock Option Plan granted to the management team and the decrease of reserves as a result of the accounting, directly to equity, of the costs incurred during the IPO process.

(4) Total non-current liabilities

Total non-current liabilities remained stable, with a change from Euro 30,994 thousand to Euro 30,968 thousand due to the joint effect of the decrease in the medium/long-term portion of bank loans as a result of the repayment of instalments in the period and the taking out of new loans for supporting the Group's business development and strategies.

(5) Total current liabilities

Total current liabilities increased from Euro 36,409 thousand to Euro 43,748 thousand, mainly due to the increase in current financial liabilities, amounting to Euro 1,737 thousand, and the increase in trade payables and other payables of Euro 5,063 thousand.

(6) Total revenues and operating income

Net sales rose from Euro 54,852 thousand as of September 30, 2020 to Euro 66,916 thousand as of September 30, 2021, increasing by 21.99% compared to the same period of the previous year, Refer to the paragraph “Sales revenues by geographic area”, below, for more details.

Other revenues and income, amounting to Euro 1,784 thousand, refer mainly to the recording of the tax credit for Research and Development of Euro 540 thousand, the tax credit referring to the purchase by SECO S.p.A of capital goods under the Industry 4.0 regime, of Euro 201 thousand, the pro-quota contribution relating to the Group's participation in the SEIS Tender, of Euro 257 thousand, and the grant from the US government to all companies in the country to handle the Covid-19 emergency, equal to Euro 287 thousand.

(7) Costs and other operating charges

Costs for services, goods and other operating costs are equal to Euro 43,005 thousand, up by Euro 6,251 thousand on the same period of the previous year.

The impact of costs for services, goods and other operating costs on turnover decreased by two percentage points. This was mainly due to: (i) an increase in the sales gross margin, which rises from a 46.3% on September 30, 2020 to a 47.1% at September 30, 2021; (ii) lower maintenance costs by 37.1% and lower costs for outsourcing which mark a 47.5% drop as a consequence of the continuous improvements and the internalization of production processes previously outsourced.

The increase in personnel costs is due to the increase in the number of employees, mainly due to: (i) the process of hiring qualified personnel to employ in Research and Development projects, in addition to the selection of new managers inserted in various functional areas of the Group and (ii) the change in the consolidation perimeter following the acquisitions of Hopenly and SECO MIND USA, compared to September 30 of the previous year.

(8) Amortisation and depreciation

Amortisation and depreciation for the period came to Euro 4,509 thousand, up by Euro 1,442 thousand on the same period of the previous year, due to the investments made during 2021.

PERFORMANCE AS AT SEPTEMBER 30, 2021

In a year still impacted by the continuing economic and social difficulties at global level, due to the ongoing pandemic, the Group managed to support and strengthen its position on the Embedded Computing and IoT markets, achieving important growth in turnover on the same quarter of the previous year. Revenue from sales rose by 21.99%%, while total revenues and operating income increased by 19.81%.

Sales revenues by geographic area

As required by IFRS 8, despite the fact that there is only one operating segment, information regarding the geographic distribution of revenue is provided below, In particular, four geographic areas have been identified: EMEA, USA, APAC and ROW. The breakdown of revenue from sales, indicating the specific geographic area, is as follows:

Geographic area	30/09/2021	30/09/2020	Change	Change %
EMEA	47,482	36,254	11,228	30.97%
- of which Italy	*38,593*	*28,301*	*10,292*	*36.36%*
USA	15,045	15,230	(185)	-1.22%
APAC	4,337	2,351	1,986	84.46%
Rest of the World	52	1,017	(964)	-94.86%
Revenues by geographic area	**66,916**	**54,852**	**12,065**	**21.99%**

Sales revenues rose from Euro 54,852 thousand in 2020 to Euro 66,916 thousand in 2021, increasing by 21.99% on the same period of the previous year, Those changes are the result of the growth in revenues in EMEA and APAC areas.

In particular, the growth in revenues was concentrated:

- in Italy, with an increase of Euro 10,292 thousand (+36.36%), as a result of continuation of the positive trend recorded in the first two quarters of 2021;
- in the APAC area, with an increase of Euro 1,986 thousand (+84.46%) due to the increase in sales volumes compared to the same period of the previous year;

The USA market highlights a sales trend substantially in line with the same period of the previous year, while in the Rest of the World revenues decreased by Euro 964 thousand (-94.86%) compared to the same period of the previous year. This drop is merely the result of different planning of the order book of one of the main clients in South America as opposed to the previous year.

Economic alternative performance indicators

EBITDA – This indicator is used by the Group as a financial target, which represents a useful unit of measure to assess operating performance, EBITDA is calculated as the profit or loss for the year before income taxes, financial income and charges, amortisation and depreciation.

	30/09/2021	30/09/2020	Change	Change %
Total revenues and operating income	68,701	57,343	11,358	19.81%
Costs for services, goods and other operating costs	(42,576)	(36,944)	(5,632)	15.24%
Personnel costs	(14,069)	(11,502)	(2,567)	22.32%
EBITDA	**12,055**	**8,896**	**3,159**	**35.51%**

The increase between the two reference periods (Euro 3,159 thousand, +35.51%) is attributable to the improvement in the gross margin, i.e. the difference between revenues and the sum of costs for raw materials, ancillary materials, consumables, good and the change in inventories. This was partially mitigated by the increase in personnel costs due to the increase in the number of employees, mainly due to: (i) the process of hiring qualified personnel to employ in the area of Research and Development projects, as well as (ii) the change in the consolidation perimeter following the acquisition of Hopenly and SECO MIND USA.

***Adjusted* EBITDA** – *Adjusted* EBITDA is a useful unit of measure to assess the Group's operating performance, *Adjusted* EBITDA is calculated as the profit for the year before income taxes, financial income and charges, amortisation and depreciation, exchange gains or losses and extraordinary/non-recurring expenses.

With regard to the *Adjusted* EBITDA, the Group deems that the adjustment (which defines the *Adjusted* EBITDA) was made in such a way as to represent the Group's performance of operations net of the effects of certain events and operations.

	30/09/2021	30/09/2020	Change	Change %
EBITDA	**12,055**	**8,896**	**3,159**	**35.51%**
Exchange gains/losses	(429)	150	(579)	-386.33%
Income elements not relating to normal business operations	2,248	478	1,770	370.18%
Non-recurring income elements that are part of the company's ordinary operations	186	589	(402)	-68.34%
Adjusted EBITDA	**14,061**	**10,113**	**3,948**	**39.04%**

At September 30, 2021, the Group recorded an *Adjusted* EBITDA of Euro 14,061 thousand, up by 39.04% on the same period of the previous year.

The income elements not relating to normal business operations, amounting to Euro 2,248 thousand, are the result of Euro 1,833 thousand relating to the actuarial value of the Stock Option Plan assigned to several managers of the Group and Euro 358 thousand in costs linked to extraordinary operations.

The non-recurring income elements that are part of the company's ordinary operations, amounting to Euro 186 thousand, refer to Euro 72 thousand in costs relating to the current health emergency and settlement costs of the US subsidiary, in addition to costs related to a settlement agreement with a customer for Euro 115 thousand.

Balance sheet alternative performance indicators

Net financial indebtedness – This indicator is a measure of the Group's financial indebtedness net of cash and cash equivalents.

In the table below is presented the detailed statement of the breakdown of net financial indebtedness as at September 30, 2021 compared to December 31, 2020.

As at September 30, 2021, the Group's net financial indebtedness amounted to positive Euro 65,731 thousand, compared to a negative Euro 17,843 thousand as at December 31, 2020.

	30/09/2021	31/12/2020	Change	Change %
A. Cash	11	14	(3)	-21,40%
B. Other cash equivalents	108.941	23.664	85.277	360,36%
C. Other current financial assets	0	0	0	0,00%
D. Cash and cash equivalents (A) + (B) + (C)	**108.952**	**23.678**	**85.274**	**360,14%**
E. Current financial indebtedness	(9.621)	(9.077)	(544)	5,99%
F. Current portion of non-current indebtedness	(6.356)	(5.163)	(1.193)	23,11%
G. Current financial indebtedness (E)+(F)	**(15.977)**	**(14.240)**	**(1.737)**	**12,20%**
H. Current net financial indebtedness (G)+(D)	**92.975**	**9.438**	**83.537**	**885,11%**
I. Non-current financial indebtedness	(27.244)	(27.281)	37	-0,14%
J. Debt instruments	0	0	0	0,00%
K. Trade payables and other non-current payables	0	0	0	0,00%
L. Non-current financial indebtedness (I)+(J)+(K)	**(27.244)**	**(27.281)**	**37**	**-0,14%**
M. Total financial indebtedness (H)+(L)	**65.731**	**(17.843)**	**83.574**	**-468%**

Total net financial indebtedness decreased by Euro 83,574 thousand due to the increase in Group cash and cash equivalents, as the result of the conclusion of the IPO process in May 2021

***Adjusted* Net Financial indebtedness** – The Adjusted Net Financial indebtedness indicates the Group's ability to cover its financial obligations.

The adjusted net financial indebtedness is calculated by adjusting the net financial indebtedness determined in accordance with that set out in Consob Communication DEM/6064293 of July 28, 2006 and in line with the ESMA/2013/319 Recommendations, with the VAT credit and current and non-current financial liabilities deriving from leases recognised as a result of the application of IFRS 16.

	30/09/2021	31/12/2020	Change	Change %
Net financial indebtedness	**65,731**	**(17,843)**	**83,574**	**-468.38%**
(+) VAT Credit	411	4,666	(4,255)	-91.19%
(-) Non-current financial liabilities from Put & Call options	(320)	0	(320)	
(-) Current financial liabilities deriving from leases	(582)	(537)	(45)	8.32%
(-) Non-current financial liabilities deriving from leases	(1,674)	(1,194)	(480)	40.23%
Adjusted net financial indebtedness	**68,718**	**(11,446)**	**80,164**	**-700.36%**

Adjusted net financial indebtedness came to positive Euro 68,718 thousand as at September 30, 2021, compared to negative Euro 11,446 thousand recorded as at December 31, 2020. The increase is due to the effects analysed in the previous section, as well as, substantially, to the collection - in March 2021 - of the VAT credit recorded in the financial statements as at December 31, 2020 and to the higher amount of financial liabilities deriving from leases accounted for as at September 2021 compared whit the amount recorded at the end of the fiscal year 2020.

SIGNIFICANT SUBSEQUENT EVENTS

In mid-October the Group successfully concluded the acquisition of the entire share capital of the Garz & Fricke Group ("Garz & Fricke Group" or the "Company"), a Hamburg headquartered producer and developer of hardware and software solutions for the industrial Internet of Things (IoT). The total consideration amounts to Euro 180 million and comprises a cash consideration of Euro 165 million and Euro 15 million newly issued SECO shares.

The acquisition of Garz & Fricke Group represents a unique strategic opportunity for SECO to establish a major international/pan European champion in the IoT/Edge Computing industry, creating the largest listed European player and the world's number 3 player in the industry.

SECO will leverage on Garz & Fricke Group's more than 200,000 new devices produced per year (of which c. 65,000 already running IoT connectivity solutions) to further accelerate the deployment of SECO's CLEA IoT-AI platform in German-speaking countries. The acquisition will also combine Garz & Fricke Group's leading payment system solutions with SECO's CLEA IoT-AI platform, further strengthening SECO's product portfolio and IoT capabilities.

BUSINESS OUTLOOK

Despite the significant economic impacts caused globally by the Covid-19 pandemic and the increase in the costs of raw materials and the simultaneous supply chain shortages, in the first nine months of 2021 the SECO Group recorded a significant increase in its level of turnover. The revenue growth has been characterized by an upsurge in sales during the third quarter of 2021, if compared to the same quarter of 2020 (+50.71%). Based on the analysis of the amount of the order backlog, that trend of acceleration in the growth of revenues is expected to continue in the near future.

Total order backlog as of October 31, 2021, amounts to Euro 114.5 million, up by Euro 62,7 million (+121%) compared to the same period of 2020. Said figures corroborate the positive trend recorded in the third quarter of 2021 and confirm the Group foreseeable and continuous growth, both in terms of turnover and gross margin.

Fully deriving from organic growth, the increase in new orders was primarily driven by clients based in the USA and the EMEA area (mainly Italy). The sectors which saw the most growth included some of the sectors that have been the most significant for SECO over time, such as Medical, Fitness, Industrial Automation, Coffee and Vending Machines, which contributed to increasing the resilience and anti-cyclicality of SECO's business.

Moreover, we expect significant benefits from the gradual adoption of the IoT-AI platform “CLEA” by new and existing customers, offering Software-as-a-Service that is capable of reaching an ever-increasing number of devices. Additional considerable benefits are also expected to derive from the Artificial Intelligence expertise of SECO Mind USA and from the acquisition of Garz&Fricke Group, concluded in mid-October.

The acquisition of Garz & Fricke Group is a landmark moment for SECO’s growth project and a unique opportunity to strengthen our European and global leadership position, reinforcing our strategic access to a key market like Germany and further accelerating the adoption of CLEA on an enlarged customer basis, as well as adding key competences and technologies to our product portfolio in order to continue to deliver the highest standards of quality and service to our customers.

Those elements lead us, even in a global economic scenario that is still marked by uncertainty, to tend towards an approach of confidence in the performance over the upcoming quarters of the year, as well as the continuing growth of the Group with a like-for-like scope, also driven by significant technological and product developments that SECO has introduced and will introduce on the market.

The Manager responsible for preparing the Company’s financial reports, Lorenzo Mazzini, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance (Testo Unico della Finanza), that the accounting information contained in this press release corresponds to the documented results, accounts and bookkeeping records