

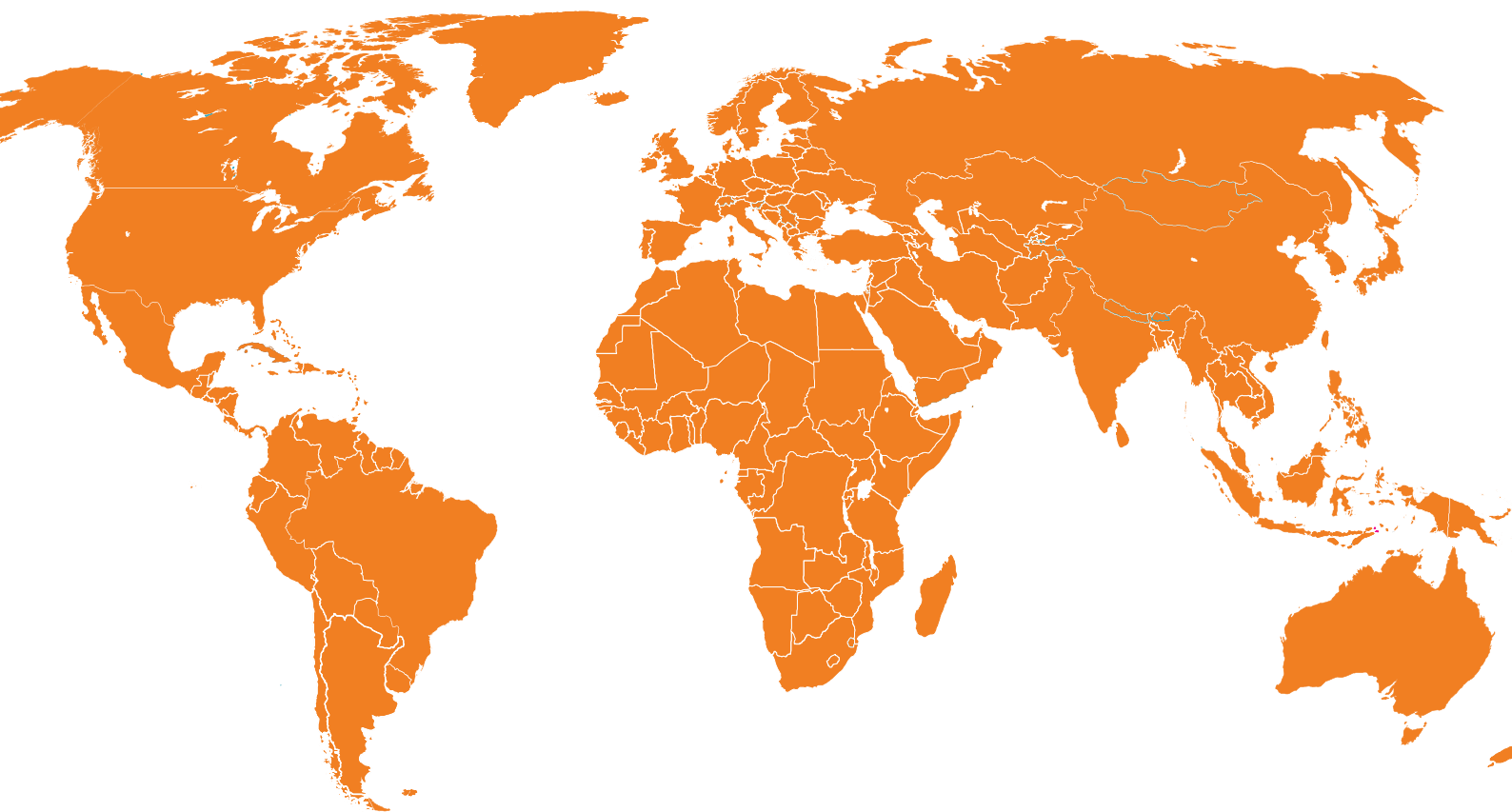
SEC

strategy • pr • advocacy

Annual Report  
2018







“ Project  
is a bet between  
the abstract  
concept  
and reality that  
must fit in it ”

Giò Ponti (Amate l'architettura, Milan 2008)

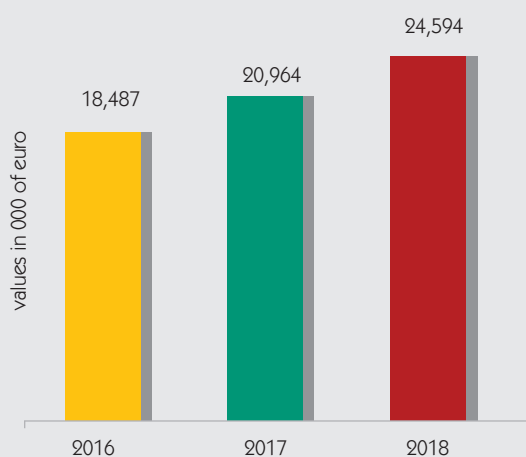


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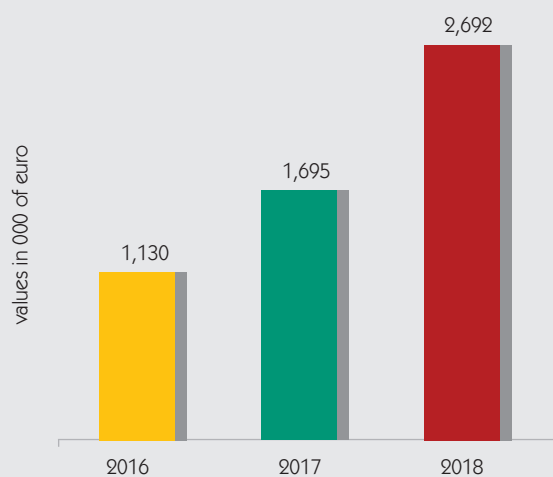
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## Highlights, SEC at a glance

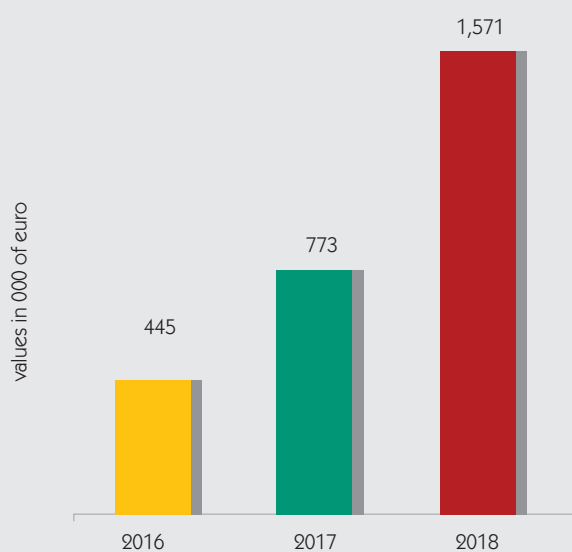
### Revenues



### EBITDA



### PAT

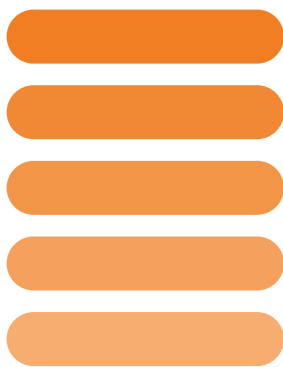
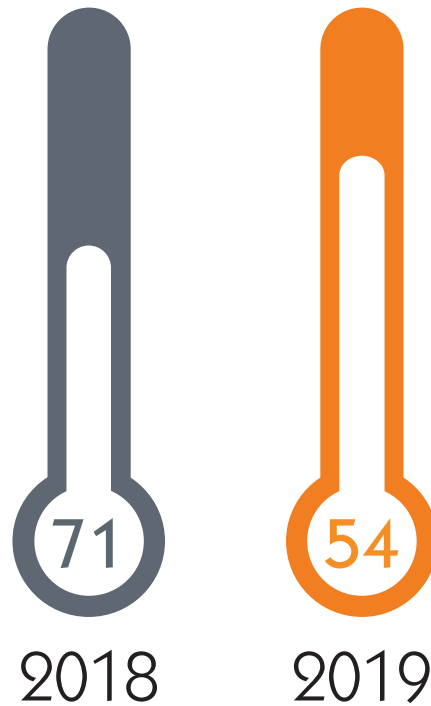


## Worldwide and European ranking according to PR Week

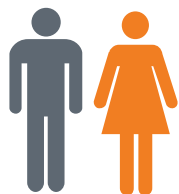
Rankings of PRWeek top 150 2019 draft a very positive picture for SEC Global which secured a tremendous performance over the last 12 months. We passed, in fact, from place 71 to 54 in the global ranking with a total turnover over 34 millions USD (+29% on 2018 ranking). Staff also soared from 309 units in 2017 to current 327 people – marking a 6% increase - in our global organization.

If we get a bit more into details, SEC Global 54 position in the Global ranking turns out **to be a 12 rank amongst European Global PR Firms.** At continental level our Group's performance is still worth to mention: our revenues accounted for 22.293.618 GBP with a 24% increase with a staff to fee ratio of 103.691 GBP per head, increasing over 10% to previous year. This positive results not only are a good news in itself, corroborated by the observation that, at European level, we are standing in front of very well established and most experienced brands such as Porter Novelli, Finsbury, Apco Worldwide or Interel just to quote a few.

### Rankings of PRWeek top 150 2019



**34 millions USD**  
(+29% on 2018 ranking)



**309 units**  
in 2017



**327 units**  
in 2018 (+6%)

## France acquisition

On November 20, 2018 (MILAN) - SEC S.p.A., announced the acquisition of French consultancy CLAI.

The award-winning agency was founded by Eric Giully, who was educated at France's Ecole Nationale d'Administration (ENA) and is a former Global Head of Publicis Consultants as well as CEO of various companies in the transportation

and media sectors. CLAI has grown over the past decade into a consultancy with more than 25 consultants.

This latest acquisition is in line with SEC's strategy of building a global partnership of management-run consultancies which are encouraged to retain their differentiating characteristics as opposed to a network of agencies which lose their identity when taken over by a larger multinational.

## Our objectives

1

**Become a worldwide player in the field of advocacy and PR**

2

**Continue acquisitions plan, in North America and in Latam**

3

**Go to market for our AI project in order to push our organic growth**



4

**Repositioning our business in the global arena**

5

**Attract always more talents**



## Our purpose

Protect and boost Clients' business  
and reputation

## Our vision

A European root for  
a worldwide business

## Our method

Listen, identify assume the clients' needs,  
act strategically

## Our values

Reliability, Responsibility, Ethics

## The main industries we advice



Energy



Real Estate



Healthcare



Consumer goods



Transport and Infrastructure



Financial



Tecnology



Design, art and culture

# Information on the Group

## 1. Introduction, a 30 years long story

SEC S.p.A. is a holding company and head office for a public relations and advocacy business, headquartered in Milano with operations across Europe and Latin America. The business was originally founded in 1989 and has subsequently grown both organically and by acquisitions.

This year, on May 1<sup>st</sup> 1989, the year of the fall of Berlin's wall, it was the start up of Sec, just constituted.

Since then the Company did a long way. From now on the Company is going to do still a longer one.

In recent years the Group has acquired a number of majority stakes in companies, leaving existing management incentivised with minority shareholdings. The Group's Italian operation is now the largest independent PR agency in the country. Accordingly the Directors consider that the Company is ideally positioned to become a consolidator in the growing public relations and advocacy sectors. The strategy of the Group is to become a global PR business, differentiated from its competitors (most of whom are US based, as shown in the 3<sup>rd</sup> paragraph) by its European roots. The Admission and Listing to AIM were an important part of executing this strategy.

## 2. Background

SEC was founded by the current Chief Executive, Fiorenzo Tagliabue. It subsequently grew organically focusing on media relations, institutional and B2B events, publishing and institutional relations. From 1997, the Company expanded across Italy opening offices in Torino, Naples, Roma, Bari and Catania. Following consistent growth over a number of years, in 2013 the Group began to expand internationally with a series of acquisitions in Bruxelles, Spain,

Germany, United Kingdom, Poland, Colombia and France (20 November 2018). The Group currently counts twelve subsidiaries in which the Company holds stakes ranging between 51 per cent. and 75 per cent. of the share capital.

## 3. Our expertise

The Company's activities include Public Relations, Advocacy and Integrated Services. Typically clients will engage the Company on a retained basis with an annual or semi-annual rolling contract.

**Public Relations** services, which made up 52.4% of revenues in the financial year ended 31 December 2018, include:

- **Brand Equity Management** – The development of strategies to preserve and/or raise the brand value of a client, be it a company and its brand(s), a cultural institution or large real estate projects. This is typically based on detailed understanding of perception and uses various communication levers and processes of perception analysis.
- **Corporate and Financial Communication** - Provision of consulting and communication services for companies and financial institutions related to mergers and acquisitions, capital markets and investor relations.
- **Reputation Safeguard: Issues & Crisis Management** – The development of strategies to help companies and institutions rapidly and effectively combat potential or actual crises, which could cause severe damage to their reputation and ultimately their business operations.
- **Corporate Social Responsibility** - Services related to every aspect of social engagement and reputation of a client.
- **External and Internal Relations** -

Professional communication focusing on Customer Relationship Management (CRM), social and content management and projects addressed at employees to align and reenergise.

- **Media Relations** - Services designed to enhance relations with journalists, bloggers and editors.
- **Digital Relations** - New age digital communications including social media audits and analysis, digital press office and digital PR, social media strategies, video reporting, monitoring of local media networks and facilitating training sessions to clients.

**Advocacy activities**, which account for 30.3% of revenues in the financial year ended 31 December 2018, include:

- **Government Relations** - Services aimed at enabling companies to interact effectively with local, national and international governments.
- **Public Affairs** - Assisting clients, ranging from local interest communities to global opinion leaders, through research and campaigning, to mobilise opinion across regions.
- **Community Relations and Consensus Building** - Helping companies manage potential or actual conflicts related to its goods, services or projects, building reputation in the communities where they operate.
- **Issue Management** - Helping organisations prioritize and proactively address public policy and reputation issues that can affect their success.
- **Political Communication** - Services provided to political parties during election periods, ranging from communication management and strategy to media coverage.

**Integrated Services**, which generate 17.3% of revenues in the financial year ended 31 December 2018, include:

- **Social Media Management** - Covering all

the stages of social media communication, from strategic and editorial decisions to direct administration of social media channels.

- **Event Management** - Services focused on organising events, assisting the clients in every step of the process, including design, promotion and organisation of an event, and budget management, in order to deliver a strong return on client spend.
- **Association Management** - Services ranging from the launch and day-to-day management of an association to providing the back office of an industry coalition. Association management services help clients to ensure legal and financial compliance and represent clients' industries and advocate on clients' issues.
- **Integrated Communication** - Encompasses advertising campaigns coordination and multidisciplinary projects, leveraging synergies with artists, screenwriters and advertising agencies.

More specifically, in 2018 the Italian parent Company, but not only, had a meaningful increasing of the practices crisis management, community relations and Public Affairs (local and national). This is a consequence of the weak economical frame in Italy with many companies forced to restructuring plans and managing different issues.

## Companies overview

### SEC S.p.A.

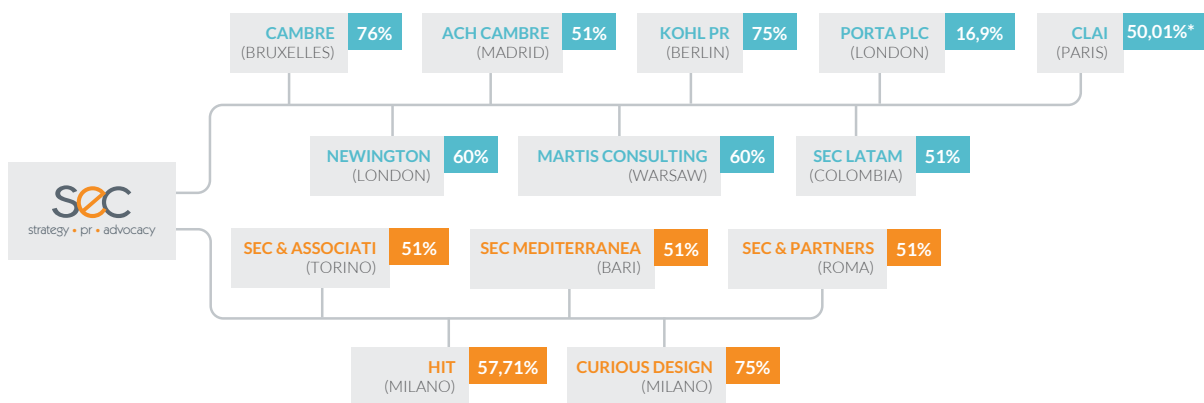
On May 1 2019, as told, SEC Spa celebrated its 30<sup>th</sup> anniversary. During this large time span a spectrum of competencies has been stacked and expanded and is nowadays summarized by the three lemma underneath our logo - Strategy, PR, Advocacy. Altogether a distinctive positioning has being built that allowed the Company to gain significant market shares over the time. Thanks to this process, the agency currently counts over 100 staff, aside other Italian and international subsidiaries, 10 specialized business units, 4 operations (apart from Milan's HQ Rome, Venice and Catania) a network of correspondents covering many other Italian regions. During 2018, in particular, SEC's leadership has expanded in advocacy and communications for complex sectors such as Real Estate, Energy, Utilities, as well as the set of activities with a specific focus on business protection and reputation remediation as Crisis Management, Community Relations, Lobbying. Global turnover, was € 10,558,093.79, marking a 18,33% increase to 2017. This figure summed to the results of other Italian operations give a total turnover in

2018 close to 14 millions €. The growth in the areas and sectors mentioned above is being confirmed for 2019 which started with an higher volume of contracts with respect to the start of 2018 and recorded a progressive yet still limited improvement in profitability. The aim target is a turnover growth between 10 and 14%. In order to consolidate its leadership and move its positioning further towards the advice end, SEC made in 2018 a relevant R&D investment by customizing an Artificial Intelligence platform with machine learning integrated functions aiming at setting a proprietary system of high added value tools for Advocacy and PR and a new model of reputation assessment and control developed in partnership with Bocconi University. The first prototype release will be unveiled by Summer of 2019 with consistent possibility to start generating revenues from the second half of the year.



Paola Ambrosino,  
General Manager SEC SpA

### SEC Group in 2018



\* SEC holds preferred shares in Clai that represent the 10% of the share capital that allow 50%+0,1 voting rights



## SEC & Associati S.r.l. (Italy)

Sec & Associati in 2018 performed according to budget provisions thanks to the efforts of the agency in developing new business opportunities that turned into secured contracts and in confirming main clients over previous year. In addition, an expansion of activities provided to the client base was also playing part in 2018 performance.

During 2018 the activity has expanded to important customers of the city of Turin which have allowed us to boost our brand visibility at institutional level. The first outputs of such repetitional advantage are shown by new hiring from other customers in this area.

The most relevant contracts from an economic value point of view are ACI, the Italian motor sports association and the Municipality of Monza, near Milan, which awarded us the development of a whole campaign to promote and relaunch of the tourist and cultural offer.

The prospects for 2019 are solid and positive, considering the arrival of 4 new clients during the first 4 months of the year.

## SEC Mediterranea S.r.l. (Italy)

2018 financial year, although showing a turnover slightly lower than in 2017 (by about 3k€), marked a return to a positive result after a small loss recorded in the previous year (-2.8k). The result benefited from the decrease in service costs (from 110 k to 98k), despite, however, a 10% increase in personnel costs (around 6k, from 60 to 66k).

In 2019, no significant deviations are expected in the final result which is expected to be positive in any case. An autonomous consultant has been transformed into employee of the Agency and during the year the work contract of two other employees will be aligned with the Group standard contract. It is expected to offset the higher personnel costs with an increase in turnover for some 5

## SEC and Partners S.r.l. (Italy)

Sec and Partners closed 2018 with results in line with previous year and our customer confidence was confirmed, including large national industrial groups and international clients. During 2018, the Agency provided consultancy and active communication services for significant events to its historical clients like: the Italian-French joint venture between Fincantieri and Naval Group, the dispute between Vivendi and Telecom Italia for the control over Telecom Italia, supporting Cellnex and Rai Way in the rush for the leadership over TLC and TV infrastructure sites, scientific and technological programs such as ExoMars space mission.

In 2018 the Agency also supported an important company in the sector of electric mobility who started the procedures for its listing on the Stock Exchange and continued managing cases of crises that involved companies the rail transport and waste management. The Agency also absorbed the human resources of the historic communication company "Carlo Bruno & Associati" laying the foundations for acquisition of new business. Following to this action the Agency could include in its portfolio new clients such as Roche, Lucchin Associati, Goldmann & Partners and some others that can generate an increase in activity and turnover in 2019.

## Curious Design S.r.l. (Italy)

In 2018 the creative agency faced a revision of its positioning on the market, that led to staff reorganization and the redefinition of goals. It reduced fixed costs with a creation of a network of specialized coworkers, who allow the agency to have greater flexibility and a qualitative growth in the range of services.

It also increased its skills with technologies, for instance augmented reality and video animation. For 2019 it has included in its

portfolio important creations in the areas of web design, brand building and corporate identity, that is why the agency expects a positive year as far turnover is concerned.

### HIT S.r.l. (Italy)

The financial statements for the year 2018 closed with total sales of EUR 1,111,538.36 and gross profits equal to EUR 73.557.

Thus, an increase by 8.6% was reported for sales compared to 2017, to attain a gross result of EUR 76,746.

During the year 2018, Hit won some important jobs that will guarantee stable sales for the company, even though margins will be lower since these activities are ongoing. For instance, Hit has activities in place for SEA – like the Facilitators' Service at the Milan Malpensa Airport, under a contract for the period from March 2018 to March 2021, and for LaTriennale – Security services provided under the contract for the period from January 2018 to January 2020.

As regards the year 2019, Hit expects to attain objective sales totaling EUR 1,280,000, thus strengthening the ongoing activities already in place and further devoting to the new business of larger events.

### Cambre Associates SA (Bruxelles)

An advocacy and communications consultancy based in Brussels for over a decade, Cambre is a multiskilled team of professionals from diverse backgrounds are known for their solid grasp of European affairs and expertise in government relations, public affairs and public relations. Cambre helps clients shape policy, mobilise opinion and build reputation across Europe and across sectors.



Victoria Main, Managing Director  
Cambre SA

During 2018 Cambre enjoyed a year of recovery after a challenging 2017. In a highly competitive market, Cambre scored significant wins, particularly in the external relations and trade area as well as in the technology sector where the consultancy is making steady inroads. A steady move towards policy communications began to pay off in the staid Brussels agency landscape, with prospects and clients increasingly wanting joined-up teams.

The consultancy posted fee income of 3.612 mln EUR for the year, against 3.363 mln in 2017 and a forecast of 3.406 mln. EBITDA rose to 351,000 EUR from 2017's 22,92. Fee income for 2019 is forecast at 3.6 mln EUR and EBITDA at 688,000. Uncertainty surrounding Brexit and the European Parliament elections poses both a challenge in that outcomes are difficult to predict and an opportunity in that organisations are hungry for insights.

Mid-way through the year, Cambre co-founder and CEO Tom Parker took on the new role of Chief Sales Officer at SEC Global and became Chairman at Cambre. Victoria Main, who joined Cambre in December 2014, was promoted as CEO, while Ferial Saouli moved up to the new position of COO.

## ACH, Consejeros De Relaciones Públicas S.L. (Spain)



Javier de Mendizábal,  
Managing Director ACH

The prospects about Spanish economy aren't as good as they were, but Spain is still growing more than many leading European economies such as Germany, France or Italy. Talking about the communication sector we are facing a fierce competition environment characterized by a strengthening of the digital and social media areas that are the key field to growth.

ACH is a mid-size company in the Spanish sector with very well-known clients in many different fields. Over 2018, ACH's client portfolio was *Bergé y Compañía* (car distribution, logistics), *Autogrill* (restaurants), *Acciona* (Renewable Energy, construction, water, Real State), *KBL Private Bankers*, *Brazil-Spain Chamber of Commerce*, *Prosegur* (Private Security, Cash Transportation, Alarms), *IFEMA* (Madrid Exhibition Center), *Averum Abogados* (Law Firm), *AON* (Insurance), *Cáritas* (NGO), *Bonduelle* (frozen vegetables), *Pernod Ricard Winery*, *John Deere* (Agriculture Machinery), *Edwards* (American medical equipment company specializing in artificial heart valves), *Aperitivos Medina* (Makers and Suppliers of Nuts), *Newell Brands* (manufacturer of household appliances), *Essity Spain* (leading company in the global health and hygiene market), *Makro* (chain of self-service stores for wholesale products), *Asociación Española contra el Cáncer* (a non-profit organization dedicated to acting against cancer), *Tetra Pak* (multinational company based in Sweden, which designs and produces cardboard packaging and processing solutions for the food industry), or *FNAC* (company specialized in the sale of electronic items, computers, photographic items, books, music and video).

During the year ACH-SEC Global has reinforced his Digital Department in line with the client's needs and requirements.

In 2019 there are many uncertainties about the future development of Spanish economy as well as other European countries, due to the national and European elections in May.

ACH is continuing to reinforce its staff and to concentrate the main efforts in maintaining the actual client list and doing new business with a clear strategy focus in corporate reputation and digital transformation (social media, on-line communication)

## Kohl PR & Partner Unternehmensberatung für Kommunikation GmbH (Germany)

As expected, Kohl PR 2018 went through a difficult year.

Two priorities were set: the stabilization of the client base and the development of new fields of business. Both developed well.

Kohl PR was able to take its existing customers from 2018 into the new year.

Additionally, the agency deepened its expertise in the medical sector where new clients were gained.

The start to 2019 was very positive and the phase of business recovery has begun shortly after the turn of the

year. This was in particular due to a successful pitch for a client from the medical technology sector with an annual six-digit budget and a term of four years. In addition, in the first few months there were single projects with a financial volume of around 250,000 Euro, which are partly attributable to new business efforts in the previous year. These include PR consulting for a large hospital chain and a special project for an existing client. Two more pitches with a total



Tanja Schüle,  
Deputy General Manager  
Kohl PR & Partner



financial volume of around 75,000 Euro will be decided in the course of the first six months of the year.

The stabilization of the existing clients together with the successful new business allow a positive outlook for 2019 with good chances of achieving the growth targets.

Nevertheless, we have to take into account that in general the German PR market is much more volatile compared to previous years. This also has to do with the increasingly difficult economic and political environment. The economic outlook in Germany promises significantly weaker economic growth. Furthermore, there are economic uncertainties with regard to Brexit and the political situation in the country. The ruling Social Democrats in particular have been in difficulties for months and it cannot be ruled out that the party will leave the governing coalition with the conservatives after the expected losses in the European elections and some federal state elections. Additionally, the Christian Democrats are in the final phase of the Merkel era and it obviously has not been finally decided yet if Angela Merkel will stay head of government until the end of the legislative period or if the new elected Christian Democratic party leader Annette Kramp-Karrenbauer will replace her prematurely. In any case, the political situation is critical and this includes risks for the public affairs business – one of Kohl PR's core business areas.

## Newington Communications Limited

Newington's principal activity continues to be that of public and corporate affairs. The company operates as an issue-led, outcome focused communications agency with local, national and European representation.

2018 saw an increase in revenue up to just over £3.9m and a number of new clients introduced to the company including: Save the Children, London City Mission, Countryside Land Business Association, Transport for London, Mischon de Reya and developers: Thornsett, Tribeca and

Peabody.

Newington was also recognised as Southwark SME of the Year, won two PRCA Public Affairs Awards 2018 for its work in planning development and for its work with not-for-profit organisations.

However, 2018 also saw a drop in net profit as there were a number of increased costs reflecting a greater investment in staff in an increasingly competitive market for the best consultants, a number of one off restructuring payments towards the end of the financial year, a one-off increased back-office cost relating to the implementation of a new accounts system.

In 2019, the Directors are mindful of the uncertain political and economic outlook, Brexit is delaying decisions about appointments and expenditure by clients but its eventual resolution will herald opportunities for new business from Newington. This uncertainty has hit revenue streams for the agency particularly in the second quarter of 2019, but this has also seen Newington make significant steps to reduce costs, with a reduction in staffing numbers ensuring a better per head figure for income earned. The outlook for 2019 is therefore a reduction in gross revenue but a projected increase in net profit at year end.

New client wins at the beginning of 2019 include energy company ERG, Sodexo, Westland Horticulture, Swansea University, Harlow Garden Town and Sherbet London. Newington has also secured new projects with Transport for London, Fairview and Canary Wharf.

The company has an established reputation in the market and the Board intends to reinforce and extend this reputation by maintaining its philosophy of achieving clear business outcomes for its client resulting in a high client satisfaction rate, recommendations and repeat business and



Mark Glover,  
Managing Director Newington  
Communications Limited

a continued profitable business. The successful strengthening of the management, with the recruitment of senior industry figure Michelle di Leo in 2018, to support the company's growth strategy has undoubtedly already contributed to a wider corporate affairs offer and the opportunity to deliver improved margins and long term growth.

### Martis Consulting(Poland)



Dariusz Jarosz,  
Managing Director Martis Consulting

Founded in Warsaw in 2001 by Ewa Baldyga and Dariusz Jarosz, professionals with over twenty years in corporate communications, Martis had a significant development that has brought the company among the first ten of the sector in Poland, and to position as agency of reference for most of listed blue chips at the Warsaw Stock Exchange.

Moreover Martis Consulting has a strong track record in public and corporate affairs in Poland and throughout Europe. Its specialist consultants work in a range of sectors including oil and gas, energy and environment, financial services, healthcare, housing, justice and legal, as well as property development and transport. Revenues for the year ending December 2018 were Eur 1.080. 476 with profit after tax of EUR 20.602. Martis Consulting is run by existing management who retain equity in the business and are incentivised to deliver strong growth.

### SEC Latam (Colombia), former Newlink

SecLatam delivered outstanding top line growth during 2018, result of the successful renewal of existing contracts and the generation of new business across all units. In the Corporate Affairs and Brand Public Relations front, new clients such as Colgate, AB InBev, Prosegur, Khiron, Amazon Web Services, 3M and Terpel were incorporated in SecLatam's portfolio.

In addition, during 2018, SecLatam strengthened its service offer in the market through the Creative, Experience, Design and Digital teams.

This unit was a key growth driver by leading projects such as the Vanti (previously Gas Natural Fenosa) brand launch. In terms of EBITDA, the company exceeded budget target, explained by revenue growth coupled with tight control of SecLatam's cost structure.

SecLatam changed its office location at the beginning of the year, improving its working environment with favourable response from employees and clients. In parallel, significant efforts were made to position the brand SecLatam in the market with coverage in key media.

The positive trend is expected to continue in 2019 as synergies in terms of new business and knowledge transfer are expected to be capitalized, with focus in the implementation of



Rafael Mora,  
Managing Director SEC Latam



Claudia de Francisco,  
Managing Director SEC Latam

the A.I tool, as the international network of SEC Group grows stronger and the position of the Group in the Region is consolidated. SecLatam will look to participate in international pitches and will seek new business opportunities with local institutions needing support abroad (e.g. European Parliament).

## CLAI Communications (France)

For CLAI, 2018 has been dominated by the consolidation of the relationship with former happycurious two main clients (PMU and The



Eric Giully, Managing Director  
CLAI Communications

Walt Disney Company) and by the acquisition of blue chips new clients such as Europcar, JC Decaux, D2L Group.

While we continued developing a large set of activities for our long-term clients like Blackrock, Lilly France, Valeo..., we have also created very innovative on line campaigns for Agence Française de

la Biodiversité and for Conseil National des Barreaux.

Globally, we stabilized our revenue around 3,9 M€ although our 2017 first client assignment came to its end at the end of last year but obviously the main event was our agreement with SEC to join its expanding international network.

2019 activity should be in line with the previous years figures and we hope to develop cross-business and referrals with SEC / Global agencies.

## Chairman's statement

Three years from the IPO in July 2016, the Group is poised for further growth.

2018 has been a great year for SEC Group with the completion of our European acquisitions' plan concluding with the deal for Clai, Paris (November 20th), and our subsequent investment in an applied Artificial Intelligence project which is helping drive organic business growth, especially in Italy.



proceeds) due in 2019 and a review of costs to increase efficiency and performance across the Group.

Finally, SEC secured new headquarters in Palazzo Aporti, an important historical building in the city of Milan (the former National Mail Service

building) refurbished by one of SEC's clients. The new offices, occupied since 11 February 2019, are a significant upgrade, improving the working conditions for our staff and providing a professional environment in which to welcome existing and new clients. A HQ of this nature provides a common base for the three SEC Group companies operating in Milan (SEC, Curious Design and HIT).

The result of these efforts saw a significant rise in our PR Week worldwide ranking with SEC Group moving to 54th position from 71th last year.

As well as improved business performance as reflected in increased turnover and net profit the last year has seen an improved shared culture amongst all the various agencies in the Group.

Moreover in 2018 the Company has been working to enlarge its operational footprint with progress made on three new acquisitions in the USA, Chile and in particular Germany - reinforcing our presence beyond Kohl PR.

In addition to these initiatives the board has started to work to address two other prominent issues: the application of Law 231 (anti-bribery

With the approval of the 2018 balance sheet the current Board will expire (in accordance with Italian Law) after three years of work, following SEC Spa listing on July 26th 2016. I would like to thank every one of the directors for the professional job they have done in providing governance and direction of the Company (in Italy) and of the Group.

I look forward to the new opportunities that await the Group in the coming months.

**Luigi Roth**  
Chairman

## Chief executive's statement

The year's global economic outlook proved difficult after a start of the year which suggested consistent growth. Driven by growing international trade (5% above 2017 values, and a significant increase of 1.5% increase in growth trends in 2017 as opposed to 2016).

However, the trends in the global economy slowed in the second half of 2018 due in part to persistent and worsening trade tensions between US and China, social and political instability in some key emerging markets, the complication in delivering Brexit have been all factors in dampening expectations of many key economic players. These factors and their repercussions started to affect internal demand in key markets slowing down investment and consumption.

A significant consequence of this scenario was the negative impact on manufacturing economies: including the Eurozone that are still largely based around industrial production. By the end of Q2: French economic expansion was at its lowest levels in 16 months, whilst in Germany the figure was the worst in 20 months. The US economic growth was still positive in Q3 (+3.4% on a yearly basis), Projected Eurozone economic growth was cut by half (dropping from 0.4% to 0.2%), Whilst the the Eurozone economy saw its growth rate drop from 2.8% in Q4 2017 to a current level of 1.6%.

Japan's GDP decreased by 0.3% QoQ in Q3, despite the pursuit of an expansive monetary policy; while China and India were still performing consistently in the same period with



growth of 6.5% and 7.1%, respectively. Brazil and Russia, on the other hand, saw growth slow significantly to 1.3% and 1.5% respectively.

Finally, inflation has for the most part remained stable, despite rising trends in previous quarters due to being counterbalanced by stable crude prices. Eurozone inflation at the beginning of the year was 1.3% and is now 1.6% after reaching a peak in Q2 of 2%. The same dynamic can be tracked in the US where

the inflation ratio was 2.1% at the start of the year and is now 1.9% dropping 1 point from June peak of 2.9%.

In this context, whilst the Fed has raised the base interest rate four times during the year whilst the ECB, is still pursuing a neutral policy that is expected to leave interest rates unchanged until Summer 2019.

Despite this complicated outlook, 2018 has been a strong year for SEC Group. The performance proved solid and the results very positive. SEC Group produced revenues for €25 million for the year to 31 December 2018, (an increase of 17.3% with respect to 2017), an increase in EBITDA to €2.7 million (+ 59% against 2017), and net profits up to €1.5 million, soaring 103% on the preceding year.

The improvements secured in 2018 are a result of management time being focused on increasing the delivery of successful client outcomes, boosting existing client growth and generating new business opportunities.



In particular, some of the Group key international operations, such as Cambre in Brussels and SEC Latam in Bogotá performed very consistently well with a renovated focus on both efficiency and client growth and their results exceeded those expected. The same focus on efficiency and expansion was also apparent in Italy at a HQ level and in Rome, with both delivering significant margins.

All operational performance was aligned to budget provisions or with minimal deviations. Spain recovered from a challenging 2017 position after a management change. 2018 results have seen losses reduced to less than one third of the losses of 2017, which now provide a solid base to rebuild and grow the business in 2019.

SEC's German agency still faces a challenging situation due to specific market conditions and the need to refocus the business plan on alternative markets. The Group has worked with the German agency to identify a new offer in Germany and hopes by the end of the year to see a partnership with another

German agency restoring SEC's fortunes in Germany. This partnership forms part of our business plan for 2019 and is described further in the part dedicated to the Group expansion and acquisition policy. SEC's UK Partner, Newington Communications has continued to see an increase in turnover in 2018 but due to investment and a challenging year end heavily influenced by Brexit this did not deliver the expected level of profit but Newington remains a growing brand in the UK marketplace with two best of category awards in the UK Public Affairs 2018 Awards.

The most concrete sign of Group performance is our rise up the Global PR rankings. SEC Group is now 54th in the PR Week Top 150 listing in 2019, rising from a position of 71 the previous year (+29%). SEC Global is also 12th in the PR Week European Rankings.

Aside from the evident satisfaction of a jump of 17 positions, the result can be seen as a clear recognition of the potential of SEC Group's distinctive business model. In a particular moment when traditional PR mul-



tinational groups struggle to meet the tough market conditions in many years, our lean, agile and entrepreneurial focused organization has been able to perform strongly. The picture presented by the PR Week 2019 rankings, demonstrates that our Group has overtaken more established and traditional agencies such as Porter Novelli, Finsbury or APCO to name a few.

I am personally convinced that this performance and recognition are a result of the strong commitment and energy spent by the Group to integrate our operations.

Our joint operational governance body, the Management Committee, where all companies' CEOs sit to develop the strategies and operations to meet the objectives and priorities defined by the Group Board, has now been in operation for two and a half years. During this period it has helped shape a common company culture, whilst supporting each local entrepreneur in developing global business opportunities.

A complete review of SEC Global's website has been undertaken with the launch of the new platform expected at the end of Q2 2019. Similar work has been done on the Group's corporate identity including the creation of professional commercial materials to support centralized marketing and sales activities. The Chief Sales Officer function, headed by former founder and now, Chairman of Cambre, Tom Parker, is driving SEC's business opportunities at an international level, seeing an expansion in cross border clients and international pitch opportunities. Another important step taken by the Group in 2018 has been to strengthen internal communications. An intranet tool was created to support a centralized global management and control system that was implemented in 2017. We have now 327 professionals from all our operations connected on the Workplace platform.

The focus on internal capacity building across the Group will see the first session of training delivered by the SEC Academy in June 2019.

SEC Global retains a strong focus on innovation developing new tools based on Artificial Intelligence. All technical issues have been addressed, which will see the delivery of a new product service in 2019 - supported by a comprehensive marketing strategy.

The intelligence platform at the core of the service is multilingual, with a first release designed for the Italian market with outputs in Italian. It is already expected that this service will be rolled out to other market in different languages giving SEC a strong competitive advantage in the PR Industry.

SEC acquired Clai Communications in France in 2019, further acquisitions are still being pursued in the US and Chile. We fully expect after presenting our plans to advisers that by the end of 2019 these potential acquisitions will be secured. Due diligence and discussions in both cases are far established and well planned.

At the same time SEC has been searching for a possible partner in Germany in order

to cope with the current revenue restrictions the Group is facing in this market. A specialized firm in lobbying and advocacy has been identified and thoroughly assessed in order to start cooperation with SEC's German agency. From both the perspective of logistics and business growth, the two agencies offer considerable synergies and development opportunities. We believe this partnership could evolve over time to a position where further acquisition would consolidate our position in the German market, allowing expansion into new areas of activities supplementing the Group offer. Discussions are ongoing between our Germany subsidiary and the counterpart with the Group board fully informed on any developments.

The most relevant event of the first half of 2019 is certainly the announcement of non-binding offer for a potential merger with Porta Plc. The transaction, which would be considered as a reverse takeover if it proceeds, is fully with the experience of this last two years when both companies establi-







shed a solid commercial partnership as a consequence of SEC Group becoming a key shareholders.

The synergies between both groups, the absence of any significant geographical overlap and an offer and core business that are fully integrated and compatible are, in fact, solid grounds to base the discussions for this potential merger.

While at this stage we cannot predict if the merger will occur, if successful the resulting merged entity would be of a size, know-how and market capability to further boost SEC growth and positioning as a global PR player.

Net cash and equivalents have changed from 1.501 (2017) to -1.160 (2018) primarily as a consequence of the different classification of Porta securities (from Financial Assets Available for Sale to Participations).

### Net assets

Following the announcement of shareholder offer and placing made on the 17th July 2018 (closed on the 3rd August 2018) SEC issued

1.280.558 new shares. At the end of 2018, the issued share capital was 13.502.533 shares.

### Group Cash position

The group Cash position remains strong with at 5.220.000 at the end of the period.

*Fiorenzo Tagliabue*  
SEC Spa CEO

## 2018, a year of extraordinary growth

2018 was an important year to consolidate our business and continue the work of integration started in 2017.

First of all we should notice the completion of the French deal that allowed us to have a primary partner in France, CLAI Communications.

We achieved three objective: 1. the consolidation of the role of CSO; 2. new steps in integration process of the Group; 3. launch of SEC Academy.

### 1. Global CSO 2018 Report



Tom Parker,  
Chief Sales Officer SEC Global, Chairman Cambre SA

In July 2018, the Group established the dedicated function of CSO (Chief Sales Officer) to drive sales at a Group level. The scope of activity of the CSO is to:

- Establish a group international brand and supporting promotional materials;
- Raise awareness of the brand and its capability within the market;
- Identify and proactively present the brand

to potential clients;

- Be prepared to respond more efficiently to new business opportunities;
- Support the expansion of SEC's global footprint; and
- Enhance internal communications.

Achievements for the year included: increased cross selling across the group; Group client wins e.g. Silicones Europe; adoption of new SEC Global international brand; established relations with key publications PR Week and Holmes Report; lead participation at EU Africa Business Summit; and implementation of internal communication tool WorkPlace. Activities in more detail included:

### Group International Brand and Materials

In order to differentiate the national and international activities of SEC, it was agreed to create the separate SEC Global brand for the international activities of the Group. Logo, brand guidelines, website and other materials were developed as part of this branding process.

### Awareness of SEC Global within the Market

Based on a mapping of key industry audiences an outreach plan was developed to informally present SEC Global. Targets contacted included John Harrington (PR Week), Maja Pawinska Sims (Holmes Report) Mark Dober (Ellwood & Atfield); Andras Baneth (Public Affairs Council), Susan Danger (American Chamber of Commerce), Barry Leggetter (PRCA)...

### Presenting SEC Global to prospective clients

On the basis of each of the group

companies identifying 3 prospective clients, a short list was identified and met. Meetings included Fuels Europe (European Oil and Gas industry association), ACEA (European Automotive Industry Association); CEFIC (European Chemical Industry Association), EFPIA (European Pharmaceutical Industry Association), Silicones Europe (Silicone Industry Association).

### **Responding to Client Opportunities**

Coordination of response to a number of new business opportunities including Bundesliga, Silicones Europe, Fedepalma... and putting in place to facilitate group new business process e.g. group client lists, business referral tracker, company presentation. Roll out of Lead Forensics to identify business leads coming to Group websites.

### **Expanding of Global footprint**

Coordination of presence at EU Africa Business Summit, identification of network partners for Africa in Morocco and South Africa; ongoing discussions with potential partners in North America.

### **Internal Communication**

Roll out of internal communications tool Workplace and coordination of quarterly SEC Management Committee meeting.

## **2. New steps in integration of the process**

The second objective was to start the implementation of the sharing of the costs related to the management of the Group itself, up to 2017 sustained by the parent Company. Since January 1<sup>st</sup> 2018 they will be shared accordingly to the gross profit of each individual company.

The implementation of the management system NetSuite, for the group at a central

level but also for all the subsidiaries. This should permit a more punctual and rigorous management of monthly reports under the profile of the economic accounts and asset situation. It is important to note that the implementation of Netsuite seems more difficult than foreseen due to the complexity of the system, anyway the work is in progress.

## **3. The launch of SEC Academy**

As for the establishment of a SEC Academy programme, opened to highly potential staff across the Group, it has been agreed that such an action is strategic so that it will be implemented during 2019. The agreed approach foreseen is one physical gathering a year plus follow ups meeting via ITC platforms. It has been agreed the first ever meeting will take place in Milan by next June. The target might be 2/3 people from each agency. Along with this programme it has been established that seminars, calls or any other "distance" alternative meetings might be organized to tackle specific know how and knowledge sharing need by some or all of the partners.

## **Outlook**

2019, also thanks to a huge effort in new business, has started well, in line with our expectations. The parent Company is working to complete three more acquisitions before the end of the year in three strategic markets like USA, Latin America and Europe.

We have budgeted an organic growth of 3% (at a group level) and in the second semester of the year we should have the first results of the investment described in digital transformation. Last but not least during the first semester we will work on a possible merge between SEC and PORTA plc (see the next paragraph).

## Events after the reporting date



The Boards of Porta Communications Plc and SEC S.p.A – both listed at London Stock Exchange’s AIM Segment - announced that they have entered into discussions concerning a potential all-share merger of the two companies, which may or may not lead to the Potential Merger occurring. The Potential Merger would create a strategic communications company of scale with offices in key markets across the UK, Europe, the Middle East, APAC and South America. The benefits could include:

- Complementary geographic networks with very limited crossover
- The scale and capacity to extend the international network to strategic markets such as the US and additional markets in Asia
- The roll-out of proprietary new market research and communications product offerings across the enlarged group’s footprint
- Synergies and reduced head office costs relating to a combined listed entity
- A strengthened Balance Sheet for the combined group

- An expanded shareholder base.

In the past Porta plc suffered some mismanagement issues that led to critical situations, namely in the UK market where they were seeking for an industrial partner they found in the SEC Group. For the sake of this strategic partnership Porta arranged a dedicated capital increase (on August 3 2017) by which SEC is now controlling nearly 17% of Porta plc’s shares, turning into its first shareholder. As a consequence of this operation SEC’s CEO Fiorenzo Tagliabue has been appointed as Deputy Chairman of PORTA.

From September 2017 to the end of first semester 2018 a significant restructuring work has been carried out that generated savings worth about 2 million pounds whose beneficial effects will be caught starting from the current year 2019. PORTA and SEC has no overlaps since UK based SEC partner is mostly focused on Public Affairs, while the business of Porta’s in UK are mainly focused on Financial and corporate communication.

The SEC-PORTA platform is now present in 5 Continents (Europe, Africa, Asia, Australia and Latin America) and shows a pretty impressive potential of commercial synergies that, once the restructuring work is done, is now under implementation.

The Independent Directors of Porta have resolved to proceed with discussions with SEC and both parties are preparing to undertake mutual and reciprocal due diligence, as is customary for a share transaction of this nature, with a view to the Independent Directors and the board of SEC agreeing the terms of the Potential Merger. The terms and conditions of the Potential Merger, if agreed, will be set out in the coming months. The Potential Merger would be classed as a reverse takeover for SEC under the AIM Rules for Companies. Completion of the Potential Merger will be subject *inter alia* to the approval by Porta and SEC's shareholders.

The proposed terms of the Potential Merger are 0.01137 SEC ordinary shares for each Porta ordinary share.

As notified in Porta's announcement relating to the restructuring of its existing debt, SEC and Porta have also entered into a convertible loan agreement pursuant to which SEC, subject to Porta shareholder approval, provided a loan of £1 million with a coupon of 5% per annum and which is convertible into Porta ordinary shares by

either company giving notice to convert subject to certain conditions. The SEC Conversion Loan Agreement was passed by Porta shareholders at a General Meeting held on 26 April 2019 authorising the Directors to issue and allot the ordinary shares to SEC as a result of conversion of the SEC Loan and to disapply statutory pre-emption rights from such allotment.

Either the Company or SEC may give notice to convert all of the SEC Loan and interest owing at the date of such notice into such number of Ordinary Shares as shall at the Conversion Price have a value equal to the capital plus interest owing to SEC. The conversion of the SEC Loan is capped such that the issue of new Porta ordinary shares to SEC, together with SEC's current interests in Porta of 16.9 per cent. of the current issued share capital, will not exceed 29.99 per cent. of the enlarged share capital of Porta.

If there has been no Conversion, the Company shall pay any outstanding debt under the SEC Loan to SEC on 30 June 2020.

SEC is required, by not later than 5.00 p.m. (London time) on 4 June 2019 to either announce a firm intention to make an offer to merge in accordance with Rule 2.7 of the Code or announce that it does not intend to make an offer. This deadline can be extended with the consent of the Panel in accordance with Rule 2.6(c) of the Code.



## Our Social Responsibility

“It takes a village to educate a child”. In this African proverb is the reason SEC supports **Portofranco Onlus**, an organization that created in Milano (and replicated in other cities) an extraordinarily effective and beautiful place for high school students to get support and help with studying.

Here, working and retired teachers, professionals, university students volunteer their time to help children with difficulties with individual lessons, and it is the children themselves who book the lessons and choose to come and study, with no obligation from the school or their families. Here, spontaneously, they have generated one of the most meaningful experiences in Italy, which integrates immigrant students of different generations.

SEC’s involvement will support the organization’s fundraising and the involvement of some of its directors.



## Valore D

From 2017 SEC is partner of Valore D the first corporate association to promote women’s talents, diversity and leadership in order to foster national enterprises development.

SEC acknowledges the association’s goals that are:

- to foster corporate welfare policies aiming at implementing innovative and flexible working places where personal needs are taken into account
- taking inclusive and diversity driven strategies in human resource management in order to improve on each individual know how and competence
- to promote inclusive and balanced leadership and governance models to foster participation, collaboration and dialogue inside the organization
- to offer sustainable and new social models aiming at orienteering girls study courses and overcoming gender based stereotypes in families and workplaces

These principles stand strongly in our agency where a significant role is lead by women employees: both the GM and CFO, in fact, are women as well as 7 supervisors out of 12 and 7 account directors out of 9.

A sensitive attention to maternity and parental needs is part of our human resource management style. In turn not only is the agency born ratio sensibly higher then national average but our careers development schemes positively integrate with the increase of family responsibilities: 8 of our 12 supervisors in fact have child while those 9 female supervisors that are also mothers spent maternity leaves (oftne Monroe then one)while at SEC.

Through partnering with Valore D, which offer to its members seminars, companies benchmark and development schemes for staff, SEC is aiming at further improving its employees opportunities both on the professional and the work-life balance sides.

## The Board

The Board, is composed of:

three Non-Executive Directors, the Italian **Luigi Roth** as Chairman, who has prestigious experience as CEO and/or President of many other quoted companies; now is the Chairman of Equita SIM spa, listed on AIM in Milan; **David Mathewson** and **Paola Bruno**, both with significant experience on the boards of companies quoted on the London AIM;



and, as executive directors, **Tom Parker**, the Chairman of Cambre, the PA company based in Bruxelles, **Mark Glover**, founder and managing director of Newington, the UK subsidiary, **Cesare Valli**, former managing director of Hill & Knowlton Strategy for South Europe, and the CFO, **Anna Milito**. The board is completed by the CEO, **Fiorenzo Tagliabue**.

# Principal risks and uncertainties

An investment in ordinary shares is highly speculative and involves a high degree of risk. The attention of prospective investors is drawn to the fact that the company is subject to a variety of risks which, if any were to materialise, could have a significant adverse effect on the company's business and/or financial condition, results or future operations. In such case, the market price of the ordinary shares could decline and investors might lose some or all of their investment.

In addition to the information set out in the rest of this document, the following risk factors in this part should be considered carefully in evaluating whether to make an investment in the company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the company and they are not set out in any order of priority. Additionally, there may be risks not mentioned in this document of which the board are not aware or believe to be immaterial but which may, in the future, adversely affect the group's business and the market price of the ordinary shares.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities in the UK or another appropriate financial adviser in the jurisdiction in which such investor is located who specialises in advising on the acquisition of shares and other securities.

## 1. Risks relating to the Group

### 1.1. Exposure of the Group to economic conditions

Demand for the Group's services may be significantly affected by the general level of economic activity and economic conditions in the regions and sectors in which the Group operates. Therefore, an actual or perceived economic downturn, especially in regions or sectors where the Group's operations are focused, could have a material adverse effect on the Group's business and financial results. In addition, there may be a delay between the occurrence of an actual or perceived threat of economic downturn and the impact this could have on the Group's financial results.

### 1.2. The Group is reliant on key executives and personnel

The Group's business, development and prospects are dependent upon the continued services and performance of its Directors, in particular Mr. Fiorenzo Tagliabue, Paola Ambrosino, Tom Parker and other key personnel. The experience and commercial relationships of the Group's Directors and key personnel help provide the Group with a competitive edge. The Directors believe that the loss of services of any existing key executives for any reason, or failure to attract and retain necessary personnel, could adversely impact the business, development, financial condition, results of operations and prospects of the Group.

### 1.3 Acquisition strategy

The Group employs an acquisition strategy whereby it seeks bolt-on acquisitions. A result of this is an ever-increasing number of management teams within the Group which require oversight by the Board. Additionally, and despite following the acquisition criteria outlined in this document, there remains the risk that all acquisitions may not be accretive.



There is a risk related to the Group's ability to accurately identify suitable targets and to successfully execute transactions for such a strategy. As consideration for such acquisitions, the Company may seek to issue Ordinary Shares. There can be no guarantee that sellers of target companies, businesses or assets will be prepared to accept shares traded on AIM as consideration, and this may limit the Group's ability to grow its activities and pursue its strategy. The difficulties involved in integrating any companies, businesses or assets acquired by the Group may divert financial and management resources from the Group's core business, which could adversely affect the Group's business, financial condition and operating results.

#### 1.4 New management team

Several members of the Company's senior management team have recently been appointed to their positions. Whilst the Directors are confident that these individuals have the skills required for their roles, the management team itself is only relatively recently established.

#### 1.5 Reliance on subcontractors

The Group utilises subcontractors on a project-by-project basis to meet its contractual obligations. Such projects will rely on the subcontractors performing their duties and obligations, not only in terms of timely delivery but also in terms of their performance obligations. Any such non-performance may result in time and cost over-run of the Group's projects and reduce the value of the Group's returns.

#### 1.6 Timing of large contracts

The Group's revenues are generated from a mix of longer and shorter lead time orders. The timing of order placement and delivery of the larger orders are inherently difficult to predict potentially causing material fluctuations in actual results compared with expectations or plans.

#### 1.7 Competition for investment

The Group may face significant competition from both domestic and international

competitors who have greater capital, greater resources and superior brand recognition that the Group and who may be able to provide better services, adopt more aggressive pricing policies or pay higher prices to acquire businesses. There is no assurance that the Group will be able to compete successfully in such an environment.

#### 1.8 Internal controls

Future growth and prospects for the Company will depend on the Directors' ability to manage the business of the Group and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

#### 1.9 Quality of the Group

The Group's success is correlated to the reputation of its services by its clients. The Group's results, therefore, depend on its ability to maintain the quality of its services, as well as on the maintenance of a strong image of its brands. Any failure to guarantee the quality of its services could have material adverse effects on the Group's reputation, which could harm its business, financial condition, and operating results.

## 2. Risks relating to the Group's operations overseas

#### 2.1 General

It is expected that a significant proportion of the Group's revenues – not the majority – will be generated overseas. The Group's business could therefore be adversely affected by changes in local and regional economic, political and social conditions or the policies of the relevant government, such as changes in

laws and regulations, taxation and imposition of restrictions on currency conversion. In addition, the occurrence of war, public disorder, economic sanctions, terrorism and local or national strikes or labour unrest in any of the overseas locations in which the Group operates may disrupt or permanently prevent the Group from operating in these locations or recovering its investment in whole or in part. The Group's investments may be denominated in currencies other than Euro. Accordingly, fluctuations in exchange rates between Euro and the relevant local currency and the costs of conversion and exchange control may have an unfavourable effect on the profitability of such operations.

## 2.2 Financial risks

### Revenue and profitability

The Company cannot guarantee that the Group will be able to achieve or sustain revenue growth and achieve or sustain profitability in the future. If the Company is unable to achieve or sustain profitability, the business could be severely harmed. The Group's operating results may fluctuate as a result of a number of factors, many of which are beyond its control. These factors

include, amongst others, the growth rate of markets into which the Group sells its services or products, market acceptance of and demand of its services and products and those of its customers and unanticipated delays, problems in the introduction of its services or products. If the Company does not realise sufficient revenue levels to sustain profitability, it may require additional working capital and financing in the medium term, which may not be available on attractive terms, or at all.

### Exchange rate risk

The Company and the Group will be exposed to several exchange risks. The Company could raise funds and is listed in Sterling pursuant to the Placing and the Subscription. Most of the Group's expenses and the sale of its products will be denominated in Euros. Exchange rate fluctuations could adversely affect the Company's profitability or the price competitiveness of its products.

Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results which are not necessarily related to its underlying operations. The Group does not currently have a foreign currency hedging policy.

## Financial highlights

	Year ended 31 December 2017	Year ended 31 December 2018
Revenue	20.964	24.594
EBITDA	1.695	2.692
EBIT	1.235	2.309
Profit Before Tax	1.103	2.211
Net Profit	773	1.572
Net Profit to the Group	489	1.232
Net Profit to minorities	324	340
Net Financial position	1.501	(1.160)

### Full Year Highlights

*The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.*

# Financial information of SEC S.p.A. for the two years ended 31 December 2018

## Consolidated income statement

Continuing Operations	Note	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
<b>Revenue</b>	5	<b>20,964</b>	<b>24,594</b>
Employees expenses	6	(10,380)	(12,560)
Service costs	7	(7,502)	(8,578)
Depreciation & amortization	8	(155)	(260)
Other operating income and charges	9	37	712
Other operating costs	10	(1,729)	(1,599)
<b>Profit from operations</b>		<b>1,235</b>	<b>2,309</b>
Finance income and expense	11	(132)	(98)
<b>Profit before taxation</b>		<b>1,103</b>	<b>2,211</b>
Taxation	12	(330)	(639)
<b>Profit for the year</b>		<b>773</b>	<b>1,572</b>
Profit for the year attributable to owners of the company		449	1,232
Non-controlling interest		324	340
<b>Profit for the year</b>		<b>773</b>	<b>1,572</b>
<b>Earnings per share attributable to the equity holders of the Company</b>			
Basic, per share	28	0.037	0.091
Diluted, per share		0.034	0.086

## Consolidated statement of comprehensive income

Continuing Operations	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
<b>Profit for the year</b>	<b>773</b>	<b>1,572</b>
Items that may be subsequently reclassified to profit or loss:		
Gain/(loss) on revaluation of available for sale investments	(238)	(1,747)
Gain /(loss) on exchange rates	(21)	(44)
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension plans	15	1
<b>Total comprehensive income for the year</b>	<b>529</b>	<b>(218)</b>
Total comprehensive income for the year attributable to:		
Owners of the Company	214	(551)
Non-controlling interest	315	333
<b>Net Group comprehensive income for the year</b>	<b>529</b>	<b>(218)</b>

## Consolidated statement of financial position

	Note	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
Intangible assets	13	9,402	15,614
Tangible assets	14	413	780
Investments	15	7	1,252
Other financial assets	16	18	66
Other assets	17	924	971
<b>Non-current assets</b>		<b>10,764</b>	<b>18,683</b>
Trade receivables	18	8,436	9,630
Other receivables	19	854	1,822
Financial investments	20	4,509	583
Cash and cash equivalents	21	4,672	5,220
<b>Current assets</b>		<b>18,471</b>	<b>17,255</b>
<b>Total assets</b>		<b>29,235</b>	<b>35,938</b>
Trade payables	22	2,537	4,953
Borrowings	23	1,807	2,371
Other payables	24	3,482	2,739
Provisions	25	1,180	565
<b>Current liabilities</b>		<b>9,006</b>	<b>10,628</b>
Employee benefits	26	1,680	1,950
Borrowings	23	5,873	4,592
Other non-current liabilities	27	1,280	6,803
<b>Non-current liabilities</b>		<b>8,833</b>	<b>13,345</b>
<b>Total liabilities</b>		<b>17,839</b>	<b>23,973</b>
<b>Net assets</b>		<b>11,396</b>	<b>11,965</b>
Share capital	28	1,222	1,350
Reserves	29	7,683	7,450
Profit of the year		449	1,232
<b>Equity attributable to equity holders</b>			
<b>Of the Company</b>		<b>9,354</b>	<b>10,032</b>
Equity non-controlling interests	30	2,042	1,933
<b>Total equity</b>		<b>11,396</b>	<b>11,965</b>
<b>Total equity and liabilities</b>		<b>29,235</b>	<b>35,938</b>

## Consolidated cash flow statement

	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
<b>Operating activities</b>		
Profit for the year	773	1,572
Adjusted for:		
Corporation tax	330	639
Changes in fair value investments to PL	-	(55)
Net interest	45	152
Depreciation tangible assets	102	142
Amortization intangible assets	53	118
Other depreciations	295	123
Pension provisions	168	351
Long-term provisions	(402)	4,668
Other non- cash movements	(10)	(44)
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(933)	(1,589)
Increase/(decrease) in trade and other payables	225	44
<b>Cash generated from operations</b>	<b>646</b>	<b>6,121</b>
<b>Income tax paid</b>	<b>(426)</b>	<b>(753)</b>
<b>Net cash flow from operating activities</b>	<b>220</b>	<b>5,368</b>
<b>Investing activities</b>		
(Purchase)/sale tangible assets	(1)	(427)
Acquisitions and earn-outs	(1,332)	(5,359)
(Purchase)/sale of other intangibles assets	(416)	(892)
Cash from acquisitions	47	999
(Purchase)/Sale of financial assets	(3,697)	2,131
(Purchase)/Sale of investment	0	(1,191)
<b>Net cash used in investing activities</b>	<b>(5,399)</b>	<b>(4,739)</b>
<b>Financing activities</b>		
Interest paid	(45)	(152)
Increase in financial borrowings	4,371	984
Decrease in financial borrowings	(946)	(1,701)
Dividend payments	(164)	(444)
Share issues	-	1,242
Own shares operation	-	-
Minorities	(141)	(10)
<b>Net cash used in financing activities</b>	<b>3,075</b>	<b>(81)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,104</b>	<b>548</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>6,776</b>	<b>4,672</b>
<b>Cash and cash equivalents at the end of period</b>	<b>4,672</b>	<b>5,220</b>

## Consolidated statement of changes in equity

	Share capital	Legal reserve	Other reserves	Retained earnings	Total equity shareholders' funds	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
<b>Balance at 1 January 2017</b>	<b>1,222</b>	<b>58</b>	<b>(5)</b>	<b>7,881</b>	<b>9,156</b>	<b>1,889</b>	<b>11,045</b>
Net profit for the year	-	-	-	449	449	324	773
Other comprehensive income	-	-	(241)	-	(241)	(10)	(251)
Ordinary shares issued	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	(164)	(164)
Others	-	-	-	(10)	(10)	(85)	(95)
Own shares operations	-	-	-	-	-	-	-
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	88	88
<b>Balance at 31 December 2017</b>	<b>1,222</b>	<b>58</b>	<b>(246)</b>	<b>8,320</b>	<b>9,354</b>	<b>2,042</b>	<b>11,396</b>
Net profit for the year	-	-	-	1,232	1,232	340	1,572
Other comprehensive income	-	-	(1,784)	-	(1,784)	(7)	(1,791)
Ordinary shares issued	128	-	-	1,114	1,242	-	1,242
Dividends paid	-	-	-	-	-	(444)	(444)
Others	-	-	-	(12)	(12)	2	(10)
Own shares operations	-	-	-	-	-	-	-
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>1,350</b>	<b>58</b>	<b>(2,030)</b>	<b>10,654</b>	<b>10,032</b>	<b>1,933</b>	<b>11,965</b>

## Corporate information

SEC S.p.A. (the "Company") was incorporated in March 1989 and is based in Milan. The registered office and principal executive office of SEC S.p.A. is located at Via Ferrante Aporti 8, Milano 20125.

The consolidated financial statements for the two years ended 31 December 2018, represent the result of the Company and its subsidiaries (together referred to as "Sec Group" or the "Group").

The principal business of the Group is a comprehensive range of Public relations, advocacy, communications and public affairs

services provided to national and multinational clients.

The subsidiaries of the Company included in the consolidated financial information, are as follows:

Company	Key	Location	SEC shareholdings as of December 31, 2018
Hit S.r.l.	HIT	Milano (Italy)	57.71%
Sec & Associati S.r.l.	SEC-A	Torino (Italy)	51.00%
Sec Mediterranea S.r.l.	MED	Bari (Italy)	51.00%
Della Silva Communication Consulting S.r.l	DS	Milano (Italy)	51.00%
Curious Design S.r.l.	CUR	Milano (Italy)	75.00%
Cambre Associates SA	CAM	Bruxelles (Belgium)	76.00%
ACH Cambre SL	ACH	Madrid (Spain)	65.70%
Sec and Partners S.r.l.	SEC-P	Roma (Italy)	50.50%
Kohl PR & Partners GMBH	KOHL	Berlin (Germany)	75.00%
Newington Communications LTD	NEW	London (UK)	60.00%
Martis Consulting sp z o.o	MRT	Warsaw (Poland)	60.00%
SEC+Latam Comunicaciones Estrategica SAS	NWC	Bogotá (Colombia)	51.00%
CLAI SAS	CLA	Paris (France)	10.00%

The acquisitions completed during the two years ended 31 December 2018 were as follows:

- April 2017: Martis Consulting sp z o.o
- December 2017: SEC Latam Comunicaciones Estrategica SAS
- November 2018: CLAI SAS

## Accounting policies

### a. Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial information has been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively “IFRSs”) issued by the International Accounting Standards Board (IASB) and adopted by the European Union (“adopted IFRSs”). The Group adopted IFRS for the first time for the period from 1 January 2013.

The financial information has been prepared under the historical cost convention, except for the “financial instruments” that have been

measured at fair value.

The functional currency of the Group is Euro (EUR), and all amounts are presented in functional currency.

### a (bis). Translation of the Financial Statements of foreign companies

- The Group records transactions denominated in foreign currency in accordance with IAS 21 - The Effect of Changes in Foreign Exchange Rates. The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- Income and expenses for each consolidated statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized in other comprehensive income.
- Goodwill and fair value adjustments



arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

- The final exchange rate of Euro vs. Great Britain Pound used on Newington Communication LTD as of 31 December 2018 is 0.89453; the average exchange rate for the period considered was 0,88471.
- The final exchange rate of Euro vs. Colombian Pesos used on SEC Latam SAS as of 31 December 2018 is 3.721,81; the average exchange rate for the period considered was 3.486,74.
- The final exchange rate of Euro vs Polish Zloty used on Martis Consulting sp. z o o as of 31 December 2018 is 4,3014; the average exchange rate for the period considered was 4,2615

### b. Impact of initial application of IFRS 9 'Financial Instruments'

In the current year, the Group has applied IFRS 9 'Financial Instruments' and the related consequential amendments to other Adopted IFRSs that are effective for periods beginning on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The adjustments arising from the impact of IFRS 9 are not reflected in the balance sheet at 31 December 2017; however, they are recognised in the opening balance sheet on 1 January 2018.

IFRS 9 introduced new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets;
- general hedge accounting.

Details of the impact of these new requirements on the Group's consolidated financial statements are summarized in the table below.

<b>IAS39</b>	Financial assets at FV accounted in income Statement	Receivables & Payables	Investments held to maturity	AFS	Hedging derivatives	<b>Balance at 31.12.2017</b> <b>€'000</b>
<b>IFRS 9</b>						
Financial assets at FV accounted in income statement	-	-	-	1,136	-	<b>1,136</b>
Financial liabilities accounted in income statement	-	-	-	-	-	-
Financial assets and liabilities accounted in OCI	-	-	-	3.373	-	<b>3,373</b>
Financial assets accounted at amortized cost	-	-	-	-	-	-
Financial liabilities accounted at amortized cost	-	(7,679)	-	-	-	<b>(7,679)</b>
Trade receivables accounted at amortized cost	-	8,436	-	-	-	<b>8,436</b>
Trade payables accounted at amortized cost	-	(2,573)	-	-	-	<b>(2,573)</b>
Hedging derivatives					(32)	<b>(32)</b>
<b>Balance at 31.12.2017</b>		<b>(1,816)</b>		<b>4,509</b>	<b>(32)</b>	<b>2,661</b>

Following to application of IFRS 9 an amount of 84 €'000 corresponding to cumulated change in fair value from previous years on investments has been reclassified from OCI Reserve into retained

earnings; change in fair value of investments incurred in 2018 for 24K has been accounted against profit & loss rather than against OCI reserve"

### IFRS 15 'Revenue from Contracts with Customers'

The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of service and thus has the ability to direct the use and obtain the benefits from the service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved.

The standard replaces IAS 18 'Revenue', and IAS 11 'Construction Contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted.

The Group implemented IFRS 15 on 1 January 2018 and has carried out a review of existing contractual arrangements as part of this process. The classification and measurement of revenue is largely unchanged following the adoption of IFRS 15.

No material impact on profit for future periods is expected.

### IFRS 16 – Leases

On 31 October 2017 was issued the "Regolamento UE n. 2017/1986 that implemented in the European Economic Community IFRS 16 (leasing). IFRS 16 substitutes IAS 17 (Leasing) and related interpretations (IFRIC 4 Determine if an agreement includes a leasing; SIC 15 Operating leases and incentives; SIC 27 Evaluating the substance of transactions in the legal form of leasing) IFRS 16 is expected to be applied retrospectively starting from 1<sup>st</sup> January 2019.

Based on IFRS 16, accounting representation of leasing (that do not represent service rendered) shall be made through including in the statement of financial position of a financial liability corresponding to the net present value of future rental payments versus inclusion of an

asset corresponding to the right of use of the rented assets.

Passive leasing previously classified based on IAS 17 as financial leases will not be treated differently than the present and will be treated accordingly to what done in the past.

At the time of first implementation of the new accounting standard, with reference to leases previously classified based on IAS 17, the Group is willing to apply the retrospective method through inclusion of the financial liability for lease contracts and of the asset corresponding to the right of use measured based on residual / future contractual payments still to be made at the time of transition.

SEC Group, contracts falling under implementation of IFRS 16 are principally related to:

- Office buildings/space
- Cars
- Office equipment

Concerning options and exemptions stated in IFRS 16, the Group intends to adopt the following choices:

- IFRS 16 is not applied to intangible assets, to short term contracts (lower than 12 months) and contracts with low unit value;
- Usage rights and financial liabilities related to leasing are divided into specific classes in the financial statement of position;
- any component relating to the provision of services included in the lease payments is generally excluded from IFRS 16
- contracts with similar characteristics are valued using a single discount rate.

The application of the new principle on the Group's financial debt exposure (on a like-for-like basis), still being evaluated and refined, is indicatively equal to 6,718 € '000.

Other standards or amendments issued by the IASB, not endorsed by the European Union or approved but not yet applicable to the Consolidated Financial Statements, are shown in the following table:

### Recently issued accounting standards

	<b>EU approved</b>	<b>Effective date</b>
IFRS 9 Financial Instruments	YES	Financial Years beginning 1st January 2019
IFRS 15 Revenue from Contracts with Customers	YES	Financial Years beginning 1st January 2019
Clarifications to IFRS 15 Revenue from Contracts with customers	YES	Financial Years beginning 1st January 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	YES	Financial Years beginning 1st January 2019
IFRS 1 First-time Adoption of International Financial Reporting Standards	YES	Financial Years beginning 1st January 2019
IAS 28 Investments in Associates and Joint Ventures	YES	Financial Years beginning 1st January 2019
Amendments to IAS 40 Investment Property: Transfers of Investment Property	YES	Financial Years beginning 1st January 2019
IFRIC Interpretation 22 Foreign Currency Transaction and Advance Consideration	YES	Financial Years beginning 1st January 2019

Accounting principles and the amendments issued by the IASB, not endorsed by the European Union or approved but not yet applicable to these financial statements, are shown in the following table:

	<b>EU approved</b>	<b>Effective date</b>
IFRS 16 Leases	YES	Financial Years starting from January 2019*
IFRIC 23 — Uncertainty over Income Tax Treatments	YES	Financial Years starting from January 2019
IFRS 3 - Business Combinations - Remeasure previously held interest in a Joint Operation (JO) when control is obtained	YES	Financial Years starting from January 2019
IFRS 11 Joint Arrangements - Participant without joint control in a JO does not remeasure previously held interest when joint control is obtained	YES	Financial Years starting from January 2019
IAS 12 Income taxes - Income tax consequences of dividend	YES	Financial Years starting from January 2019
IAS 23 Borrowing Costs - Moving from specific to general borrowings	YES	Financial Years starting from January 2019
IAS 28 Investments in Associates and Joint Venture - Long term interests and interaction with IFRS 9	YES	Financial Years starting from January 2019
IAS 19 Employee Benefits - Assumption to use following plan amendment, curtailment or settlement	YES	Financial Years starting from January 2019
IFRS17 Insurance Contracts	NO	Financial Years starting from January 2019
Amendments to References to Conceptual Framework in IFRS Standards	NO	Not determined
Amendments to IFRS 3 Business Combinations	NO	Not determined
Amendments to IAS 1 and IAS 8: Definition of Material	NO	Not determined

\* early application granted for entities that apply IFRS 15

### c. Going Concern

The directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Group is a going concern. As part of its normal business practice, the Group prepares annual plans and directors believe that the Group has adequate resources for the future. Therefore, the Group continues to adopt the going concern basis in preparing the financial information.

### d. Basis of consolidation

A company is classified as a subsidiary when the SEC Group has the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns;
- The financial information presents the results of the company and its subsidiary undertakings as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full;
- The financial information includes the results of the Company and its subsidiary undertakings made up to the same

accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation.

#### e. Business combinations

The results of subsidiary undertakings acquired during the period are included from the consolidated income statement from the effective date of acquisition.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value at the date of acquisition, and the amount of any non-controlling interest in the acquired entity.

Non-controlling interest are initially measured at the non-controlling interests' proportionate

share of the recognized amounts of the acquiree's identifiable net assets. Acquisitions costs incurred are expensed and included in administrative expenses except where they relate to the issue of debt or equity instruments in connection with the acquisition.

#### f. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the board of directors that makes strategic decisions.

The Board considers that SEC Group's protect activity constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the SEC Group by reference to total result against Budget.

### Services provided by Group entities located in each geography are as follows:

	<i>Year ended</i> <b>31 December 2017</b>		<i>Year ended</i> <b>31 December 2018</b>	
	€'000	%	€'000	%
Italy	10,580	50%	10,883	44%
United Kingdom	4,074	19%	4,100	17%
Belgium	3,624	17%	4,064	17%
Colombia	-	-	2,618	11%
Spain	900	4%	902	4%
Poland	829	4%	1,080	4%
France	-	-	545	2%
Germany	957	6%	402	1%
<b>Total revenue</b>	<b>20,964</b>	<b>100%</b>	<b>24,594</b>	<b>100%</b>

### g. Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue represents the fees derived from the services provided to and invoiced to clients and is reported net of discounts, VAT and other taxes.

Revenue is recognized in the period in which the service is performed, in accordance with the terms of the contractual arrangements. Income billed in advance of the performance of the service is deferred and recognized in the income statement when the service takes place. Income in respect of work carried out but not billed at period end is accrued.

Costs incurred with external suppliers on behalf of the clients are excluded from revenue.

### h. Intangibles Assets

#### Goodwill

Goodwill represents the excess of fair value attributed to investments in businesses and subsidiary undertaking over the fair value of the identifiable net assets, liabilities and contingent liabilities acquired. Goodwill on acquisition of an entity is included in intangible assets.

Goodwill has indefinite useful life and therefore not amortized. Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment in carrying value is recognized as an expense and is not subsequently reversed.

IFRS 9. The valuation of the CGUs for goodwill impairment testing has been prepared on a discounted cash flow basis.

#### Licences: Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be available for use or sold;

- adequate technical, financial and other resources are available to complete the development;
- there is an intention to complete and sell or use the product;
- there is an ability for the Group to sell the product;
- sale of the product will generate future economic benefits;
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over three years. The amortisation expense is included within the administrative expenses line in the statement of comprehensive income. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

#### Licences: Other

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives. Licenses are amortized over the term of the license agreement.

### i. Tangible assets

Property, furniture and equipment are initially recognized at cost and subsequently stated at cost less accumulated depreciation and, where appropriate, impairment losses.

Depreciation is provided on all items of property and equipment so as to write off their carrying value, less its residual value, over their expected useful economic lives. It is provided at the following rates:

- |                           |     |
|---------------------------|-----|
| ● Furniture and machinery | 12% |
| ● Office equipment        | 20% |
| ● Computer equipment      | 20% |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at

the end of each reporting period. An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other operating income and changes".

**j. Investments**

Investments included in non-current assets are stated at cost less any impairment charges.

**k. Financial assets**

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets at fair value through profit or loss, as available for sale or held to maturity except for financial investments.

**Financial investment at fair value**

IFRS 13 sets out the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements are required/used.

IFRS 13 requires certain disclosures which require the classification of assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value used for evaluating the financial investments are based on quoted prices in active market (level 1). The Group has estimated relevant fair values on the basis of publicly available information from outside sources.

Other investments are designated as 'available for sale' and are shown at fair value with any movements in fair value taken to equity. On disposal, the cumulative gain or loss previously recognized in equity is included in the profit or loss for the year.

The fair values of the primary financial assets and liabilities of the company together with their carrying values are as follows:

	<i>Year ended 31 December 2017</i>		<i>Year ended 31 December 2018</i>	
	<i>€'000</i>		<i>€'000</i>	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>				
Trade and other receivables	9,290	9,290	11,452	11,452
Financial investments	4,509	4,509	583	583
Cash and cash equivalents	4,672	4,672	5,220	5,220
<b>Financial liabilities</b>				
Trade and other payables	6,019	6,019	7,692	7,692
Financial liabilities	7,680	7,680	6,963	6,963

### Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for bad debts and doubtful account.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, which are reported net, such bad debt provisions are recorded in a separate allowance account with the loss being recognized within other operating costs in the Consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### l. Cash and equivalents

Cash and cash equivalents comprise cash, deposits held at call with banks and other short-term liquid investments with an original maturity of up to three months or less. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### m. Financial liabilities

Financial liabilities comprise loans and trade and other payables, which are initially

recognized at fair value and subsequently carried at amortized cost using the effective interest method. The interest element of the borrowings and short-term financial liabilities is expensed over the repayment period at a constant rate. In accordance with IFRS 9 Financial Instruments: "Recognition and Measurement, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished".

### n. Operating leases

Assets leased under operating leases are not recorded in the statement of financial position. Rental payments are charged directly to the income statement on a straight-line basis.

### o. Share capital

SEC S.p.A.'s ordinary shares are classified as equity instruments.

### p. Dividends

Dividends are recognized when they become legally payable, which is when they are approved for distribution. In the case of interim dividends to equity shareholders, this is when declared by the directors and paid.

### q. Taxation

Income tax for each period comprises current and deferred tax.

The current tax is based upon the taxable profit for the year together with adjustments, where necessary, in respect of prior periods, and calculated using tax rates that have been enacted or substantively enacted at the end of the financial year. Italian Corporate entities are subject to a corporate income tax (IRES) and to a regional production tax (IRAP).

Current tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are



recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

#### r. Employee benefits

The only form of post-employment benefit provided to staff by Group companies is represented by Staff Termination Benefits "TFR". In light of the amendments made to the relevant regulations by the "2007 Finance Act" (law no. 296 of 27 December 2006) with regard to enterprises with more than 50 employees, staff termination benefits are accounted for in accordance with the following rules:

1. for defined benefit plans, as regards the portion of staff termination benefits accrued as at 31 December 2006, through actuarial calculations which do not include the item related to future salary increases;
2. for defined contribution plans, as regards the portion of staff termination benefits accrued from 1 January 2007, both in case of election of supplementary pension scheme, and in the event of allocation to the INPS Treasury Fund.

Staff termination benefits for Group companies with fewer than 50 employees are recognized in accordance with the regulations for defined benefit plans in accordance with IAS 19; liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities.

#### s. Provisions

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount.

#### t. Stock Plans - IFRS 2

Cost for Stock Options, together with the corresponding increase in shareholders' equity, is recognized under personnel costs over the period in which the conditions relating to the achievement of objectives and / or provision of the service are met. The cumulative costs recognized for these operations at the end of each year up to the vesting date are commensurate with the expiry of the vesting period and with the best estimate of the number of participating instruments that will actually mature. The cost or revenue in the statement of profit/(loss) for the year represents the change in the cumulative cost recorded at the beginning and end of the year.

Service or performance conditions are not taken into consideration when the fair value of the plan is defined at the grant date. However, the probability that these conditions will be satisfied in defining the best estimate of the number of capital instruments that will accrue is taken into account. Market conditions are reflected in the fair value at the grant date. Any other condition related to the plan, which does not involve an obligation of service, is not considered as a condition of vesting. The non-vesting conditions are reflected in the fair value of the plan and involve the immediate accounting of the cost of the plan, unless there are also conditions of service or performance.

### 3. Critical accounting estimates and judgements

SEC Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed

to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Useful lives of depreciable assets

Useful lives of depreciable assets are based on the expected utilization of each asset. Changes to estimates can result in significant variations in the carrying value and amounts charged to the Statement of Comprehensive Income in specific periods (see notes 13 and 14).

#### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, SEC Group uses market observable data to the extent it is available (see notes 15 and 20).

#### Provision for doubtful debts

Management performs an assessment of the recoverability of debtors when evidence arises that demonstrates the collection is uncertain. Management periodically reassesses the adequacy of the allowance for doubtful debts in conjunction with its credit policy and discussions with each specific customer. Judgement is applied at the point where recoverability is deemed uncertain and thus when a provision is to be recognized (see notes 10 and 18).

#### Employee benefits

For actuarial assumptions on severance indemnity refer to note 26.

#### Impairment of Goodwill

Disclosure included in note 2 (h).

## 4. Financial instruments – risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors. The Group does not currently use derivative financial instruments and does not issue or use financial instruments of a speculative nature.

Through its operations SEC Group is exposed to the following financial risks:

- a. Credit risk
- b. Market price risk
- c. Fair value and cash flow interest rate risk
- d. Liquidity risk

#### Principal financial instruments

The principal financial instruments used by Sec Group, from which financial instrument risk arises, include:

- trade and other receivables (see notes 17 and 18);
- cash and cash equivalents (see note 21);
- trade and other payables (see notes 22 and 24).

This note describes Sec Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in Sec Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

#### a. Credit risk

Credit risk is the risk of financial loss to SEC

Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. Sec Group has trade receivables of 9,630 € '000 (2017: 8,436 € '000) net of any write-off and allowance for doubtful receivables.

As at 31 December 2018, the Group had amounts due from ten major customers amounting to 20 per cent. of the trade receivables balance.

Sec Group is exposed to credit risk in respect of these balances such that, if one or more of the customers encounters financial difficulties, this could materially and adversely affect the Sec Group financial results.

Sec Group attempts to mitigate credit risk by assessing the credit rating of new costumers prior to entering into contracts and by entering contracts with costumers with agreed credit terms.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. Sec Group does not enter into derivatives to manage credit risk.

Directors reviewed trade receivables as on end of December 2018 and based on the trade receivables analysis made an additional provision against bad debts has been made in order to consider possible losses; changes in bad debts provision accounted in 2018 as well as ECL are summarized in note 18.

#### **b. Market risk**

Market risk arises from SEC Group's use of interest bearing, tradable. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or other market factors (i.e. price risk).

#### **c. Fair value and cash flow interest rate risk**

Sec Group has previously been funded through borrowings from UBS (Italy) S.p.A., Deutsche Bank S.p.A. Unicredit S.p.A, BPM Banco

Popolare di Milano, Natwest, Carige.

Sec Group obtained the following loans:

- 1** UBS (Italy) S.p.A. 1,762 € '000 during the year ended 31 December 2013 at an interest rate of Euribor 12 month plus a margin of 1.25 per cent as Revolving credit facility open ended.
- 2** Deutsche Bank S.p.A. 1,000 € '000 at an interest rate of 1-month Euribor plus a margin of 1,20 per cent. On amortizing basis with two monthly basis instalments between July 2015 and June 2019.
- 3** Deutsche Bank S.p.A. 1,000 € '000 at an interest rate of 1-month Euribor plus a margin of 1,00 per cent. On amortizing basis with monthly basis instalment between April 2017 and March 2020.
- 4** Unicredit S.p.A, 30 € '000 at an interest rate of 4,1 per cent payable in monthly instalment between February 2015 and February 2020.
- 5** Unicredit S.p.A, 1,000 € '000 at an interest rate of 1.2% payable every six months between June 2016 and December 2020
- 6** BPM Banco Popolare di Milano 1.000 € '000 at an interest rate of 1,1% payable in monthly instalments between February 2016 and February 2020.
- 7** Natwest 100 GBP '000 at an interest rate of 4.69% payable in monthly instalments between October 2016 and October 2019
- 8** Unicredit S.p.A, 3.500 € '000 at an interest rate of Euribor 3 months \* 365/360 (1,7-0,336) payable every three months between July 2017 and July 2022
- 9** Carige 1.000 € '000 at an interest rate of 1.20% payable every six months between December 2018 and January 2021

(see also note 23)

#### **d. Liquidity risk**

Sec Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, Sec Group finances its operations through a mix of equity and borrowings. Sec Group's objective is to provide funding for future growth

and achieve a balance between continuity and flexibility through its bank facilities and future intergroup loans.

The Board receives cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that Sec Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

### Capital management

SEC Group monitors capital, which is made up of share capital, retained earnings and other reserves.

SEC Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

SEC Group sets the amount of capital it requires in proportion to risk. Sec Group manages its capital structure and makes adjustments to it in

the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, SEC may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt (see notes 28 and 29).

### e. Exchange rates risk

Exchange-rate risk, also called currency risk, is the risk that changes in the relative value of certain currencies will reduce the value of investments denominated in a foreign currency.

On 2018 year end the Group had no material intercompany payables or receivable denominated in foreign currency and suitable to produce a material impact on the value of such assets and liabilities.

Assets and liabilities denominated in foreign currencies are held by some foreign subsidiaries (Martis, denominated in PLN – Newington denominated in GBP – SEC Latam denominated in COP). These foreign entities had no material amounts denominated in other foreign currency as on end of December 2018. Exchange rates used for conversion of amounts related to these companies are shown in note a (bis).

## 5. Revenue

	<i>Year ended</i> 31 December 2017	<i>Year ended</i> 31 December 2018
	€'000	€'000
Revenue of services	20,964	24,594
<b>Total</b>	<b>20,964</b>	<b>24,594</b>

Revenues are primarily generated by a comprehensive range of communications, relations and public affairs services provided to national and multinational clients.

Revenues for services are composed by: public relation activities for 12,886 € '000 (2017 10,820 € '000); advocacy activities for 7,443 € '000 (2017 5,735 € '000); and integrated services of 4,265 € '000 (2017 4,410 € '000).

## 6. Employees expenses

	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
Salaries	8,210	10,059
Social contributions	1,747	1,924
Severance indemnity	319	461
Other costs	104	116
<b>Total employee expenses</b>	<b>10,380</b>	<b>12,560</b>

The average monthly number of employees during the period was as follows:

Directors	21	29
Staff	229	298
<b>Total average monthly employees</b>	<b>250</b>	<b>327</b>

Salaries to key managers of the Group, including Board of Directors' fees have been the following:

Salaries to key managers	2,346	3,611
End of mandate allowance	36	45
<b>Total salaries to key managers</b>	<b>2,382</b>	<b>3,656</b>

### Directors retributions

<b>2018</b>	Fees and Salaries	Pension Contributions	Bonus	Total
<b>Executive Directors</b>				
Fiorenzo Tagliabue	145,000	23,145	-	168,145
Cesare Valli	202,012	96,689	-	298,701
Anna Milito	65,472	26,256	-	91,728
Mark Glover	138,951	-	39,561	178,512
Tom Parker	216,000	-	37,500	253,500
<b>Non Executive Directors</b>				
Luigi Roth, Chairman	41,657	252	-	41,909
David Mathewson	33,991	-	-	33,991
Paola Bruno	33,970	-	-	33,970
	<b>877,053</b>	<b>146,342</b>	<b>77,061</b>	<b>1,100,456</b>

## Directors retributions

<b>2017</b>				
	Fees and Salaries	Pension Contributions	Bonus	Total
<b>Executive Directors</b>				
Fiorenzo Tagliabue	145,000	22,300	-	167,300
Cesare Valli	202,225	97,774	-	299,999
Anna Milito	64,936	26,164	-	91,100
Mark Glover	112,710	-	-	112,710
Tom Parker	216,000	-	-	216,000
<b>Non Executive Directors</b>				
Luigi Roth, Chairman	41,657	-	-	41,657
David Mathewson	35,000	-	-	35,000
Paola Bruno	35,000	-	-	35,000
	<b>852,528</b>	<b>146,238</b>	<b>-</b>	<b>998,766</b>

No bonuses were paid to Directors during the period.

On 03/28/2018 the Board of Directors, in implementation of the shareholders' meeting resolution of 10/27/2017, resolved to establish a stock option plan for the managers of the investee companies and the parent company. An estimated cost for 37 €'000 has been included in other staff costs and the corresponding tax impact has been considered for some 9 €'000 (see also note 29).

## 7. Service costs

	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
Consulting	1,231	1,497
Internal Consulting & Directors	1,095	1,105
Overheads	1,430	1,688
Rent/Lease	1,051	1,287
Services	2,695	3,001
<b>Total service costs</b>	<b>7,502</b>	<b>8,578</b>

Overheads principally comprise costs incurred with subcontractors in order to manage extraordinary workload activity not directly provided internally. Services principally comprise marketing, advertising and other services incurred by the Group in its operating activities (respectively for 2,178 €'000 in 2018 and 2,044 €'000 in 2017); other amounts are related to phone costs, travel expenses, office maintenance expenses, freight costs, car expenses and bank charges.

## 8. Depreciations and amortizations

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Amortization of intangibles	53	118
Depreciation of tangible assets	102	142
<b>Total depreciation and amortization</b>	<b>155</b>	<b>260</b>

## 9. Other operating income and charges

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Other Charges	(13)	(21)
Other Income	50	733
<b>Total other operating income and charges</b>	<b>37</b>	<b>712</b>

Other income in 2018 includes an extraordinary income for 502 €'000 tax credit reimbursement on the investment made from SEC in an Artificial Intelligence project. Other operating income and expenses in 2018 and 2017 are mainly generated by non-recurring adjustments and miscellaneous.

## 10. Other operating Costs

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Bad debts allowance	295	123
Impairment of investment	0	0
Tax local	50	113
Others	1,384	1,364
<b>Total other operating costs</b>	<b>1,729</b>	<b>1,600</b>

Other costs primarily include the purchase of goods and materials for managing events for 496 €'000 (533 €'000 in 2017); the remaining costs comprise subscriptions, magazines, books and newspapers, consumption of materials.

## 11. Finance income and expense

	<i>Year ended</i> 31 December 2017	<i>Year ended</i> 31 December 2018
	€'000	€'000
<i>Financial income</i>		
Interest income	13	97
<b>Finance income</b>	<b>13</b>	<b>97</b>
<i>Financial expenses</i>		
Interest expense	(116)	(146)
Other expenses	(29)	(49)
<b>Finance</b>	<b>(145)</b>	<b>(195)</b>
<b>Net Finance income and expense</b>	<b>(132)</b>	<b>(98)</b>

## 12. Taxation

	<i>Year ended</i> 31 December 2017	<i>Year ended</i> 31 December 2018
	€'000	€'000
Current tax expense	316	596
Deferred tax income	14	43
<b>Total income tax expense</b>	<b>330</b>	<b>639</b>

### 2018 Applicable tax rates (Italy)

The SEC Group's activities are both in Italy and abroad (Spain, Germany, Belgium, United Kingdom, Poland, Colombia and France).

Activities within Italy are subject to two corporate taxation regimes:

- IRES is the state tax which was levied at 24 per cent of taxable income.

- IRAP is a regional income tax, for which the standard rate is 3.9 per cent, with certain local variations permitted.

The reconciliation between the theoretical income taxes calculated on the basis of the theoretical tax rate and income taxes recognized was as follows:



<b>Profit before taxes</b>	<b>1,103</b>	<b>2,211</b>
Expected tax charge based on Italian corporate tax rate (IRES 24%)	(265)	(508)
Temporary differences subject to tax @ 24.0%	(65)	(126)
Non-deductible expenses subject to tax @ 24.0%	(42)	(88)
Non-taxable incomes subject to tax @ 24.0%	100	240
Tax loss carry forward (use) subject to tax @ 24.0%	14	120
Tax loss carry forward (set-up) subject to tax @ 24.0%	(3)	-
Recovery of IRAP taxable amounts on IRES purposes subject to tax @ 24.0%	-	11
Tax incentives (tax allowance on retained earnings increases - ACE)	8	33
IRAP on Italian entities	(96)	(105)
Non Italian jurisdictions tax rates reconciliation	34	(7)
Differences on non-Italian jurisdictions taxable income/(loss) basis	(29)	(166)
<b>Total current income taxation</b>	<b>(344)</b>	<b>(596)</b>
Deferred tax Income/(Expense)	14	(43)
<b>Total taxation</b>	<b>(330)</b>	<b>(639)</b>

### 13. Intangible assets

	<b>Licenses</b>	<b>Goodwill</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>COST</b>			
<b>At 1 January 2017</b>	<b>161</b>	<b>5,614</b>	<b>5,775</b>
Additions	161	3,591	3,752
<b>At 31 December 2017</b>	<b>322</b>	<b>9,205</b>	<b>9,527</b>
Additions	1,176	5,154	6,330
<b>At 31 December 2018</b>	<b>1,498</b>	<b>14,359</b>	<b>15,857</b>
<b>AMORTISATION</b>			
<b>At 1 January 2017</b>	<b>(72)</b>		<b>(72)</b>
Charge for the year	(53)		(53)
<b>At 31 December 2017</b>	<b>(125)</b>		<b>(125)</b>
Charge for the year	(118)		(118)
<b>At 31 December 2018</b>	<b>(243)</b>		<b>(243)</b>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2016</b>	<b>89</b>	<b>5,614</b>	<b>5,703</b>
<b>At 31 December 2017</b>	<b>197</b>	<b>9,205</b>	<b>9,402</b>
<b>At 31 December 2018</b>	<b>1,255</b>	<b>14,359</b>	<b>15,614</b>

Additions in Goodwill over the two-year period are generated as follows:

- In 2017 1,191 €'000 from acquisition of Martis, 2,143 €'000 from SEC Latam and 252 €'000 from Newington
- In 2018 5,010 €'000 from CLAI Acquisition

€'000	Martis	SEC Latam	CLAI
Trade receivables	80	396	478
Cash and cash equivalents	44	2	999
Other assets	24	203	661
Trade payables	(103)	(197)	(148)
Other liabilities	(9)	(162)	(548)
Net Assets acquired	36	242	1,442
% ownership SEC Group	60%	51%	100%
Ownership SEC Group	22	124	1,442
FV consideration	1,213	2,269	6,452
Goodwill	1,191	2.145	5,010

The evaluation of the CGUs for goodwill impairment testing has been prepared on a Discounted Cash Flow basis value.

In 2018 management identified the aggregation of cash generating units ("CGUs") for testing the impairment of its goodwill in light of the business of the year. As a result of the analysis, management identified as CGUs the single subsidiaries that generated goodwill.

Total goodwill at 31 December 2017 is related to Cambre (1,547 €'000), acquired in 2013, ACH (492 €'000) and Sec and Partners (100 €'000) acquired in 2014, Kohl (761 €'000) acquired in 2015 and Newington (1,806

€'000, revised in 2017 to 2,052 €'000 based on second earn-out) acquired in 2016; to Martis (1,196 €'000) and to SEC Latam (2,269 €'000) acquired in 2017. Additions of 2014 also included goodwill in ACH resulting from a previous merger (275 €'000) and goodwill in Sec and Partners resulting from a previous acquisition (632 €'000).

The information required by paragraph 134 of IAS 36 is provided below. The recoverable amount of each CGU has been verified by comparing its net assets carrying amount to its value in use calculated using Discounted Cash Flow method. The main assumptions for determining the value in use are reported below:

	Cambre	ACH	Sec and Partners	Kohl	Newington	Martis	SEC Latam	CLAI
Average market rate	10,320%	10,320%	10,320%	10,320%	10,320%	10,320%	10,320%	10,320%
Discount rate	8,220%	8,820%	10,320%	7,790%	8,935 %	10,586%	14,060%	8,130%

The discount rate has been determined on the basis of market information on the cost of money and the specific risk of the industry. In particular, the Group used a methodology to determine the discount rate which considered the average capital structure of a group of comparable companies.

The recoverable amount of CGUs has been determined by utilizing cash flow forecasts based on the 2019 to 2023 five year plan approved by management, on the basis of the results attained in previous years as well as management expectations regarding future trends in the public relations market. At the end of the five-year projected cash flow period, a terminal value was estimated in order to reflect the value of the CGUs in future years. The terminal values were calculated as a perpetuity at the same growth rate as described above and represent the present value, in the last year of the forecast, of all future perpetual cash flows. The impairment test performed as of the balance sheet date resulted in a recoverable value greater than the carrying amount (net operating assets) of the above-mentioned CGUs.

Acquisition of Newington is subject to an earn-out based on company EBITDA over three years (2016 - 2018); total consideration for the acquisition of the 60% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for 562 €'000 has been accrued as of 31 December 2017. The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial year (see note 25).

Acquisition of SEC Latam is subject to an earn-out based on company EBITDA over three years (2018 - 2019 - 2020); total consideration for the acquisition of the 51% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for 1,594 €'000 has been accrued as of 31 December

2017. The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial years (see note 25). The SEC Latam business combination has been determined only provisionally at the end of 2017 as per IFRS 3.45 considered that earn outs are based on 2018, 2019, 2020 SEC Latam effective EBITDA and that this is expected to impact the amount of consideration transferred and used in order to calculate goodwill (IFRS 3.46).

Acquisition of CLAI is subject to an earn out based on company EBITDA over seven years (2019 - 2020 - 2021 - 2022 - 2023 - 2024 - 2025); SEC holds preferred shares in Clai that represent the 10% of the share capital that allow 50%+0,1 voting rights and a set of options allows SEC to escalate to 100% of Clai within the end of the earn out period; total consideration for the acquisition of 100% share of the company has been calculated based on conservative and reasonable estimates, consequently an earn-out liability for 6,412 €'000 has been accrued as of 31 December 2018. The final total consideration is subject to uncertainty and depends on the company performance over the ongoing financial years (see note 25). The CLAI business combination has been determined only provisionally at the end of 2018 as per IFRS 3.45 considered that earn outs are based on the next seven years effective EBITDA of CLAI and this is expected to impact the amount of consideration transferred and used in order to calculate goodwill (IFRS 3.46)

## 14. Tangible assets

Leasehold improvements	Leasehold improvements €'000	Equipment €'000	Furniture and fittings €'000	Total €'000
<b>COST</b>				
<b>At 1 January 2017</b>	<b>363</b>	<b>136</b>	<b>682</b>	<b>1,181</b>
Additions	22	25	-	47
Additions from acquired business	-	-	158	158
Disposals	(6)	-	(73)	(79)
<b>At 31 December 2017</b>	<b>379</b>	<b>161</b>	<b>767</b>	<b>1,307</b>
Additions	325	14	114	453
Additions from acquired business	-	107	153	260
Disposals	(1)	-	(76)	(77)
<b>At 31 December 2018</b>	<b>703</b>	<b>282</b>	<b>958</b>	<b>1,943</b>
<b>DEPRECIATION</b>				
<b>At 1 January 2017</b>	<b>(168)</b>	<b>(95)</b>	<b>(439)</b>	<b>(702)</b>
Charge for the year	(59)	(11)	(32)	(102)
Additions from acquired business	-	-	(100)	(100)
Disposals	-	-	10	10
<b>At 31 December 2017</b>	<b>(227)</b>	<b>(106)</b>	<b>(561)</b>	<b>(894)</b>
Charge for the year	(59)	(15)	(68)	(142)
Additions from acquired business	-	(67)	(136)	(203)
Disposals	-	-	76	76
<b>At 31 December 2018</b>	<b>(286)</b>	<b>(188)</b>	<b>(689)</b>	<b>(1,163)</b>
<b>Net Book Value</b>				
<b>At 31 December 2016</b>	<b>195</b>	<b>41</b>	<b>243</b>	<b>479</b>
<b>At 31 December 2017</b>	<b>152</b>	<b>55</b>	<b>206</b>	<b>413</b>
<b>At 31 December 2018</b>	<b>417</b>	<b>94</b>	<b>269</b>	<b>780</b>

## 15. Investments

Owned by	Owned by	%	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
PORTA COMMUNICATIONS PLC	SEC	16,9	-	1,245
Sec & Partners S.r.l.	SEC	95%	5	5
Others	-	-	2	2
<b>Total investments</b>			<b>7</b>	<b>1,252</b>

Investment in Porta Communications PLC made in August 2017 was originally classified within investments available for sale. In April 2019 the Boards of Porta Communications Plc (AIM: PTCM) and SEC announced that they entered into discussions concerning a potential all-share merger (the "Potential Merger") of the two companies. Following to such strategical decision the investment has been reclassified within investments in compliance with IFRS 9.

## 16. Other financial assets

Other financial assets include 10 €'000 of bank deposits to guarantee the ACH Cambre SL (Madrid) office lease and other financial investments of ACH Cambre SL 6 €'000 in both 2018 and 2017. In 2018 it also includes 46 €'000 deposit to guarantee the CLAI offices lease.

## 17. Other assets

	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
deferred tax assets	500	483
Rental deposits	155	149
Directors benefits	267	339
Other	-	-
<b>Total other assets</b>	<b>922</b>	<b>971</b>

Director benefits is the asset coverage provided by an external insurance company in order to fulfil the end of mandate obligations for a Board director (see note 27).

The movement on the deferred tax account is shown below:

Opening balance	246	267
Movements in statement of financial position	(20)	35
Recognized in income statement: taxation	41	37
<b>Closing balance</b>	<b>267</b>	<b>339</b>

## 18. Trade receivables

	Year ended 31 December 2017 €'000	Year ended 31 December 2018 €'000
Trade receivables	8,437	9,630
<b>Total trade receivables</b>	<b>8,437</b>	<b>9,630</b>

There is no material difference between the net book value and the fair-values of trade receivables due to their short-term nature.

The ageing analysis of accounts receivables by due date is as follows:

Trade receivables not yet due €'000	Days from due date				Total trade receivables €'000
	≤120 €'000	>120≤180 €'000	>180≤365 €'000	>365 €'000	
5,603	2,283	219	620	905	9,630
58%	24%	2%	6%	10%	100%

The amounts presented in the consolidated statement of financial position are net of an allowance for doubtful receivables of 433 €'000 (2017: 365 €'000) based on prior experience and their assessment of the current economic ongoing.

The following analysis was made in order to estimate expected credit losses:

	Maturity analysis €'000			
	0 - 365	365 - 730	730 - 1826	1826
Expected credit loss rate	0%	30%	70%	100%
Estimated carrying value amount at default	-	201	306	159
Lifetime ECL	-	60	214	159

During 2018 the Group accrued 123 €'000 and utilized 55 €'000 for bad debts; changes in bad debts provision along 2018 are summarized as follows:

<b>Provision opening balance At January 2018</b>	<b>365</b>
Accruals	123
Uses	(55)
<b>Provision closing balance at December 2018</b>	<b>433</b>

## 19. Other receivables

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Prepaid expenses	195	610
Tax on income	420	503
VAT	1	41
Others	238	668
<b>Total other receivables</b>	<b>854</b>	<b>1,822</b>

There is no material difference between the net book value and the fair values of other receivables due to their short-term nature. Others mainly includes tax credits versus tax authorities for 502 €'000 granted on the artificial intelligence software developed from SEC along 2018, prepayment to suppliers' of 99 €'000 (2017: 24 €'000) receivables from employees of 18 €'000 in 2018 (2017: 21 €'000) and 2 €'000 (in both 2018 and 2017) of receivables from minority shareholders.

## 20. Financial Investments

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
UBS S.A. investment	1,121	582
Porta Communication equities	3,373	-
Other	15	-
<b>Total other receivables</b>	<b>4,509</b>	<b>582</b>

The table above provides an analysis of financial instruments that are initially recognised at fair value (level 1) based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

### 31 December 2017

<b>Investments</b>	<b>Purchase Cost</b>	<b>Fair Value against PL</b>	<b>Accrued interest</b>	<b>Total</b>
	€'000	€'000	€'000	€'000
Bonds	428	431	1	432
Equities	545	662	-	662
Other	30	27	-	27
<b>Total</b>	<b>1,003</b>	<b>1,120</b>	<b>1</b>	<b>1,121</b>

### 31 December 2018

<b>Investments</b>	<b>Purchase Cost</b>	<b>Fair Value against PL</b>	<b>Accrued interest</b>	<b>Total</b>
	€'000	€'000	€'000	€'000
Bonds	63	59	-	59
Equities	458	500	-	500
Other	30	23	-	23
<b>Total</b>	<b>551</b>	<b>582</b>	<b>-</b>	<b>582</b>

	31 December 2017			31 December 2018		
	Level			Level		
<b>Investments at fair value</b>	1	2	3	1	2	3
<b>Available for sale against PL</b>	€'000	€'000	€'000	€'000	€'000	€'000
Debt securities:						
- Government bonds	-	-	-	-	-	-
- Other bonds	53	-	-	-	-	-
<b>Total</b>	<b>53</b>	-	-	-	-	-
Equities and mutual funds under management:						
- Equity Funds	662	-	-	500	-	-
- Bond Funds	379	-	-	59	-	-
- Balanced Funds	27	-	-	23	-	-
<b>Total</b>	<b>1,068</b>	-	-	<b>582</b>	-	-
<b>Total Investments</b>	<b>1,121</b>	-	-	<b>582</b>	-	-

	Debt securities	Equities	Funds	Loans	Total
<b>Financial Assets Available for sale against PL</b>					
<b>Annual changes</b>	€'000	€'000	€'000	€'000	€'000
<b>Opening Balance January 1 2017</b>	<b>53</b>	-	<b>996</b>	-	<b>1,049</b>
Purchases	-	-	-	-	-
Positive changes in fair value	-	-	73	-	73
Other changes	-	-	-	-	-
Sales	-	-	-	-	-
Negative changes in fair value	53	-	(1)	-	(1)
<b>Closing Balance December 31 2017</b>	<b>53</b>	-	<b>1,068</b>	-	<b>1,121</b>
Purchases	-	-	-	-	-
Positive changes in fair value	-	-	-	-	-
Other changes	-	-	-	-	-
Sales	(53)	-	(462)	-	(515)
Negative changes in fair value	-	-	(24)	-	(24)
<b>Closing Balance December 31 2018</b>	-	-	<b>582</b>	-	<b>582</b>



## 21. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of 90 days or less:

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Cash at bank	4,672	5,220
<b>Total cash and cash equivalents</b>	<b>4,672</b>	<b>5,220</b>

## 22. Trade payables

Trade payables	2,537	4,953
<b>Total trade payables</b>	<b>2,537</b>	<b>4,953</b>

## 23. Borrowings

The Group has both long-term borrowings funding business acquisitions and short-term credit facilities for working capital. Borrowings shown on current and noncurrent liabilities are as follows:

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Deutsche Bank	581	459
Banco Popolare di Milano	251	199
Unicredit	747	1,031
Carige	-	391
KBC Bank	34	88
National Westminster Bank PLC	63	33
Banco Colpatria Red Multibanca SA	71	50
Bankinter	-	81
Interest payables	60	39
<b>Total current liabilities</b>	<b>1,807</b>	<b>2,371</b>
UBS	1,762	1,762
Deutsche Bank	513	56
Banco Popolare di Milano	326	200
Unicredit	3,363	2,173
Carige	-	401
<b>Total non-current liabilities</b>	<b>5,873</b>	<b>4,592</b>
<b>Total borrowings</b>	<b>7,680</b>	<b>6,963</b>

## Details of non-current liabilities

	<i>Outstanding</i>	<i>Total facilities €'000</i>	<i>Interest rate</i>	<i>Maturity date</i>	<i>Repayment</i>	<i>Security</i>
UBS	1,762	1,762	Euribor + 1.25%	Open ended	Open end- ed	Pledge on Silvia Anna Mazzucca financial instruments
Deutsche Bank	127	1,000	Euribor + 1.20%	23 June 2019	Two month instalments	None
Deutshce Bank	388	1,000	Euribor + 1%	March 2020	Monthly	None
Banco Popolare di Milano	399	1,000	1,1%	February 2020	Monthly	None
Unicredit	296	1,000	1.2%	Dec. 2020	Monthly	None
Unicredit	2,901	3,500	Euribor 3 months * 365/360 (1.7%- 0.336)	July 2022	Three months	None
Carige	792	1,000	1,40%	December 2020	Every six months	None

## 24. Other payables

	<i>Year ended 31 December 2017 €'000</i>	<i>Year ended 31 December 2018 €'000</i>
Accrued Expenses	267	220
Advances from customers	4	1
Employees and payroll-related	1,268	1,507
Government institutions	294	367
Tax on Income	258	-414
VAT	338	349
Other	1,053	709
<b>Total other payables</b>	<b>3,482</b>	<b>2,739</b>

There is no material difference between the net book value and the fair values of current other payables due to their short-term nature.

Other includes 142 €'000 in both 2018 and 2017 related to the payable due to a SEC and Partners director.

Maturity analysis of the financial liabilities, classified as financial liabilities measured at amortized cost, is as follows (the amounts shown are undiscounted and represent the contractual cash-flows):

<b>Up to 3 months</b>	<b>3,482</b>	<b>2,739</b>
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## 25. Provisions

	<i>Year ended</i> 31 December 2017	<i>Year ended</i> 31 December 2018
	€'000	€'000
Provisions	1,180	565
<b>Total provisions</b>	<b>1,180</b>	<b>565</b>

In 2018 SEC paid the short term earn outs on SEC Latam and Newington; the outstanding balance now represents the short term portion of the earn out on SEC Latam.

## 26. Employee benefits

	<i>Year ended</i> 31 December 2017	<i>Year ended</i> 31 December 2018
	€'000	€'000
Severance indemnity	1,680	1,950
<b>Total severance indemnity</b>	<b>1,680</b>	<b>1,950</b>

The liability represents the amount for future severance payments to employees.

	<b>Severance indemnity</b> €'000
<b>Opening Balance January 1 2017</b>	<b>1,504</b>
Service Cost	220
Net Interest	19
Benefit Paid	(71)
Actuarial Gain/Loss	8
<b>Closing Balance December 31 2017</b>	<b>1,680</b>
Service Cost	228
Net Interest	21
Benefit Paid	(73)
Actuarial Gain/Loss	(1)
Additions following to Clai acquisition	94
<b>Closing Balance December 31 2018</b>	<b>1,950</b>

## 27. Other non-current liabilities

	<i>Year ended</i> 31 December 2017 €'000	<i>Year ended</i> 31 December 2018 €'000
Directors benefits	301	375
Earn-out Liability Long term	975	6,411
Other non current liabilities	4	17
<b>Total other non-current liabilities</b>	<b>1,280</b>	<b>6,803</b>

SEC S.P.A. has an obligation in relation to a Board Director for end of mandate allowance as per the above amounts on each year end date. Such obligation is covered by an insurance asset (note 17).

Earn Out Liability refers to the long-term portion of the Earn-outs on acquisitions of SEC Latam and CLAI.

## 28. Share capital

At 31 December 2018, the share capital comprises:

**13,502,533 ordinary shares of 0.1 EUR each.**

All shares are fully issued and paid up. The ordinary shareholders are then entitled to receive dividends in proportion to their percentage ownership in the Company.

On 31 December 2015 the share capital comprised 1,000,000 ordinary shares of 1 EUR each. The general assembly held on 9 June 2016 changed the number and the amount of the sharers into 10,000,000 ordinary shares of 0.1 EUR each.

On 26 July 2016, following the IPO on AIM UK market, the share capital changed into 12,221,975 ordinary shares of 0.1 EUR each, with an increase of 2,221,975 shares and € 222,197.50.

Following to the announcement of shareholder offer and placing SEC made on the 17<sup>th</sup> July 2018 (closed on the 3<sup>rd</sup> August 2018) SEC issued 1,280,558 new shares, on end of 2018 its share capital includes 13,502,533 shares representing € 1,350,253.30.

<b>Authorized, issued and fully paid capital</b>	<i>As at 31 December 2017</i>	<i>As at 31 December 2018</i>
As at 1 January	€ 1,222,197.50	€ 1,222,197.50
Additions during the year	-	€ 128,055.80
<b>31 December 2018</b>	<b>€ 1,222,197.50</b>	<b>€ 1,350,253.30</b>

### Earnings per share

The basic and diluted earnings per share for 2018 were determined by dividing the profit attributable to the equity holders of the parent by the number of shares outstanding during the period. Earnings per share, basic, is determined as follows:

	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2018</i>
	<i>€'000</i>	<i>€'000</i>
Profit for the year attributable to owners of the company	€ 449,000	€ 1,232,000
Number of shares	12,221,975	13,503,533
<b>Earnings per share, basic</b>	<b>€ 0,037</b>	<b>€ 0.091</b>

The General Assembly held on 9 June 2016 resolved to issue a maximum of 134,000 shares to be assigned to WH Ireland Limited as warrant, and a maximum of 675,000 shares as stock grant plan to the employees.

As of today, neither warrant nor stock grant plan were subscribed, however the potential additional shares should be considered as dilutive instruments. Earnings per share, diluted, is determined as follows:

	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2018</i>
	<i>€'000</i>	<i>€'000</i>
Profit for the year attributable to owners of the company	€ 449,000	€ 1,232,000
Number of shares	13,030,975	14,311,533
<b>Earnings per share, diluted</b>	<b>€ 0,034</b>	<b>€ 0,086</b>

## 29. Reserves

The following table describes the nature of each reserve:

	<i>Year ended 31 December 2017</i>	<i>Year ended 31 December 2018</i>
	<i>€'000</i>	<i>€'000</i>
Legal reserve	58	85
Evaluation reserve	(4)	(2,029)
Share premium reserve	2,627	3,741
Retained earnings	5,002	5,653
<b>Total Reserves</b>	<b>7,683</b>	<b>7,450</b>

### Legal reserve

This reserve is required by law, and is not distributable.

### Evaluation reserve

Gains/losses arising on financial assets classified as available for sale, actuarial evaluation on pension allowance and exchange rates differences.

### Share premium reserve

On December 2017 the share premium reserve included € 3,777,000 related to the IPO of Sec S.p.A. on the AIM UK market occurred on 26 July 2016, for amounts paid in excess of share face value, net of € 1,150,000 generated by the costs of listing, net of tax. Following to the share offer and placing made in 2018 an additional excess of share face value was raised for € 1.261.000, such increase is reduced by € 147,000 costs related to share capital increase net of taxes.

### Retained earnings

All other net gains and losses and transactions with owners not recognized elsewhere, in particular on end of 2018 this includes a Stock option reserve considered that on 03/28/2018 the Board of Directors, following to the shareholders' meeting resolution made on 10/27/2017, resolved to establish a stock option plan dedicated to managers of the

subsidiaries and of the parent company (see note 6).

## 30. Non-controlling equity

The equity non-controlling interests refers to the net value of the assets and liabilities attributable to minority investments not held by the Group. Summarized financial information in relation to the subsidiaries before intra-group eliminations is presented below, together with the indication of the minority share of the net assets and the related results for the year.

The summarized company statements of financial position for the Two year ended 31 December 2018 are as follows:

<b>As at 31 December 2018 €'000</b>	<b>HIT</b>	<b>CUR</b>	<b>CAM</b>	<b>ACH</b>	<b>SEC-A</b>	<b>MED</b>	<b>DS</b>	<b>SEC-P</b>	<b>KOHL</b>	<b>NEW</b>	<b>MRT</b>	<b>NWC</b>	<b>CLAI</b>
Non-current assets	9	3	78	79	3	32	1	762	24	251	17	84	549
Current assets	941	237	1656	399	315	139	34	1486	85	1679	259	1163	1918
Noncurrent liabilities	88	3	-	-	16	45	-	98	14	-	-	42	111
Current liabilities	203	226	626	313	260	42	65	733	50	1103	174	802	784
<b>Equity</b>	<b>659</b>	<b>11</b>	<b>1108</b>	<b>165</b>	<b>42</b>	<b>84</b>	<b>(30)</b>	<b>1417</b>	<b>45</b>	<b>827</b>	<b>102</b>	<b>403</b>	<b>1572</b>
<b>Equity to non-controlling interest</b>	<b>279</b>	<b>3</b>	<b>266</b>	<b>57</b>	<b>21</b>	<b>41</b>	<b>(15)</b>	<b>701</b>	<b>11</b>	<b>331</b>	<b>41</b>	<b>198</b>	<b>-</b>

<b>As at 31 December 2017 €'000</b>	<b>HIT</b>	<b>CUR</b>	<b>CAM</b>	<b>ACH</b>	<b>SEC-A</b>	<b>MED</b>	<b>DS</b>	<b>SEC-P</b>	<b>KOHL</b>	<b>NEW</b>	<b>MRT</b>	<b>NWC</b>
Non-current assets	10	6	98	310	5	2	1	714	12	304	17	52
Current assets	952	387	1129	347	302	141	34	1382	499	1769	242	549
Noncurrent liabilities	82	14	-	-	19	15	-	86	21	-	-	28
Current liabilities	224	359	530	175	243	45	62	692	122	828	175	330
<b>Equity</b>	<b>656</b>	<b>20</b>	<b>697</b>	<b>482</b>	<b>45</b>	<b>83</b>	<b>(27)</b>	<b>1318</b>	<b>298</b>	<b>1245</b>	<b>84</b>	<b>243</b>
<b>Equity to non-controlling interest</b>	<b>277</b>	<b>5</b>	<b>167</b>	<b>165</b>	<b>22</b>	<b>41</b>	<b>(13)</b>	<b>652</b>	<b>75</b>	<b>498</b>	<b>34</b>	<b>119</b>

The summarized income statement of the companies for the two-year ended 31 December 2018 are as follows:

<b>As at 31 December 2018 €'000</b>	<b>HIT</b>	<b>CUR</b>	<b>CAM</b>	<b>ACH</b>	<b>SEC-A</b>	<b>MED</b>	<b>DS</b>	<b>SEC-P</b>	<b>KOHL</b>	<b>NEW</b>	<b>MRT</b>	<b>NWC</b>	<b>CLAI</b>
Revenue	1112	206	4064	902	338	220	-	1388	401	4100	1080	2618	545
Cost of Sale	(1053)	(231)	(3556)	(1029)	(328)	(212)	(4)	(1127)	(670)	(4043)	(1063)	(2104)	(419)
Other operating income and charges	16	20	11	3	(1)	(1)	-	110	10	-	22	27	5
<b>Profit from operations</b>	<b>75</b>	<b>(5)</b>	<b>519</b>	<b>(124)</b>	<b>9</b>	<b>7</b>	<b>(4)</b>	<b>371</b>	<b>(259)</b>	<b>57</b>	<b>39</b>	<b>541</b>	<b>131</b>
<b>Finance income and expenses</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>	<b>(9)</b>	<b>(3)</b>	<b>(1)</b>
<b>Profit before taxation</b>	<b>75</b>	<b>(5)</b>	<b>518</b>	<b>(125)</b>	<b>-</b>	<b>7</b>	<b>(4)</b>	<b>371</b>	<b>(261)</b>	<b>55</b>	<b>30</b>	<b>538</b>	<b>130</b>
<b>Taxation</b>	<b>(36)</b>	<b>(2)</b>	<b>(167)</b>	<b>31</b>	<b>(8)</b>	<b>(6)</b>	<b>-</b>	<b>(72)</b>	<b>7</b>	<b>(13)</b>	<b>(10)</b>	<b>(193)</b>	<b>(1)</b>
<b>Profit (loss) for the period</b>	<b>39</b>	<b>(7)</b>	<b>351</b>	<b>(94)</b>	<b>(8)</b>	<b>1</b>	<b>(4)</b>	<b>299</b>	<b>(254)</b>	<b>42</b>	<b>20</b>	<b>345</b>	<b>129</b>
<b>Profit (loss) for the period to non-controlling interest</b>	<b>16</b>	<b>(2)</b>	<b>84</b>	<b>(32)</b>	<b>(4)</b>	<b>-</b>	<b>(2)</b>	<b>148</b>	<b>(63)</b>	<b>17</b>	<b>8</b>	<b>169</b>	<b>-</b>



<b>As at 31 December 2017 €'000</b>	<b>HIT</b>	<b>CUR</b>	<b>CAM</b>	<b>ACH</b>	<b>SEC-A</b>	<b>MED</b>	<b>DS</b>	<b>SEC-P</b>	<b>KOHL</b>	<b>NEW</b>	<b>MRT</b>
Revenue	1018	391	3624	900	401	217	-	1623	957	4074	829
Cost of Sale	(941)	(415)	(3792)	(1025)	(386)	(211)	(16)	(1258)	(918)	(3324)	(770)
Other operating income and charges	1	23	53	3	2	(2)	-	-	6	-	-
<b>Profit from operations</b>	<b>78</b>	<b>(1)</b>	<b>(115)</b>	<b>(122)</b>	<b>17</b>	<b>4</b>	<b>(16)</b>	<b>365</b>	<b>45</b>	<b>750</b>	<b>59</b>
Finance income and expenses	-	-	(2)	(22)	(14)	-	-	-	(1)	(6)	(2)
<b>Profit before taxation</b>	<b>78</b>	<b>(1)</b>	<b>(117)</b>	<b>(144)</b>	<b>3</b>	<b>4</b>	<b>(16)</b>	<b>365</b>	<b>44</b>	<b>744</b>	<b>57</b>
Taxation	(33)	(4)	30	(7)	(7)	(6)	-	(115)	(13)	(138)	(16)
<b>Profit (loss) for the period</b>	<b>45</b>	<b>(5)</b>	<b>(87)</b>	<b>(151)</b>	<b>(4)</b>	<b>(2)</b>	<b>(16)</b>	<b>250</b>	<b>31</b>	<b>606</b>	<b>41</b>
<b>Profit (loss) for the period to non-controlling interest</b>	<b>19</b>	<b>(1)</b>	<b>(21)</b>	<b>(52)</b>	<b>(2)</b>	<b>(1)</b>	<b>(8)</b>	<b>124</b>	<b>8</b>	<b>242</b>	<b>16</b>

### 31. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. For amounts paid to key managers please refer to the table within note 6. For payables to related parties, please refer to note 24; for borrowings please refer to note 4 (d.7).

### 32. Contingencies and commitments

SEC Group has no contingent liabilities and or commitments.

### 33. Events after the reporting date

In April 2019 The Boards of Porta Communications Plc (AIM: PTCM) ("Porta") and SEC S.p.A (AIM: SECG) ("SEC") announced that they have entered into discussions concerning a

potential all-share merger of the two companies, which may or may not lead to the Potential Merger occurring. The Potential Merger would create a strategic communications company of scale with offices in key markets across the UK, Europe, the Middle East, APAC and South America.

### **34. Ultimate controlling party**

There is no ultimate controlling party of the Company. Sec S.p.A. is 66.06% controlled by Fiorenzo Tagliabue.

**For more information:**

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### NOTES TO EDITORS

SEC Spa is an advocacy, PR and strategy advisory group with specialisms including Corporate, Public affairs, Financial , Stakeholder engagement and Consumer Public Relations.

The Group has offices in Milano, Roma, Bruxelles, London, Berlin, Madrid and Warsaw.

The brand and companies it owns are the following:

In Italy: SEC and Partners (Roma), SEC & Associati (Torino), SEC Mediterranea (Bari), HIT (Milano), Curious Design (Milano)

In Europe: Cambre Associates SA (Bruxelles), ACH Cambre - Consejeros De Relaciones Públicas S.L (Spain), Kohl PR & Partner Unternehmensberatung für Kommunikation GmbH (Germany), Newington Communications Limited (UK) Martis Consulting (Poland)

SEC spa's corporate website are:

[www.secrp.com](http://www.secrp.com)

[www.secglobalnetwork.com](http://www.secglobalnetwork.com)