SEC Newgate S.p.A.
("SEC Newgate", "the Company" or "the Group")

Unaudited condensed consolidated interim results for the six months ended 30 June 2020

SEC Newgate S.p.A (AIM: SECG), the international communications, advocacy and research group, is pleased to announce its unaudited results for the six months ended 30 June 2020.

Financial Highlights

- Group revenues: €31.5m (H1 2019: €15.0m) *
- Gross profit: €28.0m (H1 2019: €12.6m) *
- Profit before tax: €1.5m ** (H1 2019: €0.3m) *
- Net cash flow from operating activities: inflows €4.7m (H1 2019: outflows €6.6m)
- Net debt as at 30 June 2020: €13.1m, including €7.1m Lease Liabilities (H1 2019: €8.0m, including €5.2m Lease Liabilities) *
  - new bank loan facilities secured include €1.0m from Banca Carige and €1.0m from Banca Popolare di Milano
  - other new borrowings include €2.5m convertible bonds issued in February 2020

** H1 2019 comparatives for SEC S.p.A.; H1 2020 results for the enlarged SEC Newgate S.p.A group following the merger with SEC Newgate UK Limited (formerly Porta Communications Plc) and its subsidiaries on 3 September 2019*
*** Including €0.4m loss due to net foreign exchange movements*

Operational Highlights

- Appointment of Sergio Penna as Group Financial Officer, effective 1 June 2020
- SEC Newgate ranked 30th in the PRovoke Global Top 250 PR Agency Ranking 2020, placing the business 7th in Europe

Post-period highlights

- Established SEC Newgate US LLC, a US joint venture in which the Group has a 55% ownership
- Launch of TRUE®, an Artificial Intelligence powered platform to run extensive and totally new-to-market semantic and reputation assessments, following three years of investment and development
- Appointment of James Hill as Managing Partner of Newgate Greater China, effective 22 September 2020

John Foley, Group Chairman, commented:

"The Group's Interim Results for H1 2020 are very pleasing and demonstrate strong performance across the newly enlarged Group culminating in solid profitability and excellent cash generation achieved at the operational level.

Covid-19 has obviously created its challenges, but our senior management team has maintained a focus on appropriate cost levels whilst ensuring service levels remain high. The Group's turnover, profitability, margins and retention rates are strong and there have also been a number of encouraging new contract wins secured during the period. New initiatives have been launched in the USA and new products and research methods have been announced including the Group's TRUE artificial intelligence platform which was launched in Italy in July 2020. Details of H1 performance are set out in the Chief Executive's Review below.

The outlook is exciting despite the uncertainties caused by Covid-19. The Board believes that positive momentum can be maintained and that the Group can continue to develop as a major global strategic communications agency."

Fiorenzo Tagliabue, Group Chief Executive Officer, commented:

"This is the Group's first set of Interim Results operating under our new SEC Newgate brand and our detailed Strategic Plan covering the three-year period to the end of 2022 that will now be updated to 2023.

Despite the Covid-19 pandemic outbreak in the first quarter of 2020, SEC Newgate's half year performance has remained strong and has been supported by the proactive steps taken to manage and mitigate its impact. We have maintained a constant focus on the quality of services we provide to our clients as confirmed by the recent launch of innovative digital products and further expansion into the United States.

If there is one good thing to come out of the Covid-19 pandemic, it is the evidence it has provided that we have a truly exceptional and cohesive team that is all pulling in the same direction. We are all committed to focusing on the things we can do to ensure our clients receive the service they need, our people are nurtured, and our reputation and brand continue to build so we are in a good position to invest in our future and continue our progress into 2021."

The 2020 Interim Results can also be downloaded from the Company's investor relations website: (https://www.secnewgate.com/investors/).

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For further information please contact:

SEC Newgate S.p.A.

Fiorenzo Tagliabue (Group CEO) Tel: +39 335 6008858
tagliabue@secrp.com

Emma Kane (Deputy Group CEO, CEO Newgate Communications UK)	Tel: +44 (0) 7876 338339 emma.kane@newgatecomms.com
Sergio Penna (Group CFO)	penna@secrp.com
Arden Partners (Nominated Adviser and Broker) Richard Johnson / Benjamin Cryer	Tel: +44 (0) 20 7614 5900

Notes to Editors about SEC Newgate

- Further information is available at www.secnewgate.com
- On 3 September 2019, SEC S.p.A. and SEC Newgate UK Limited (formerly Porta Communications Plc) merged to create SEC Newgate S.p.A.
- The Group's principal brands are: ACH SEC Global (Spain); Cambre Associates (Belgium); Cambre Maroc (Morocco); Clai (France); Kohl PR (Germany) ; Martis Consulting (Poland) ; Newgate Communications (Abu Dhabi, Australia, Greater China, Singapore, UK); Newington (UK); Publicasity (UK); SEC Latam (Colombia); SEC Newgate S.p.A. (Italy); SEC Newgate US (USA); and 2112 (UK).

CEO Review

Despite 2020 being one of the most challenging years in over a century, the SEC Newgate team has delivered strong, positive results for the first half. Our clear business strategy and the strong operational performances achieved prior to the onset of the global pandemic, provided the Group with the ballast required to navigate the uncharted waters we all encountered from the second quarter.

Two factors have been the key drivers of the Group's success in the first six months:

- Firstly, the quality of our people and management - an incredible amount of energy, strategic thinking and positivity is evident across the Group. I would like to thank all my colleagues across SEC Newgate for their resilience and commitment. They have had to adapt to the new working environment, improving the way we communicate internally and externally, to maintain the highest levels of service for our clients, and to find ways to achieve savings during a time of significant uncertainty.

- Secondly, the constant push towards innovation - the Group has adapted to changing market demands by offering new and innovative products and services such as digitizing events and developing business recovery plans aimed at those industries whose businesses had been most affected by the pandemic. This incredible effort has helped to mitigate potential decreases in revenues.

Innovation is a core pillar in our strategic plan. Nearly three years of development in association with a pool of experts from international universities and €1.5m of investment in TRUE®, our proprietary Artificial Intelligence powered platform came to fruition when it was successfully launched in July 2020 in Italy. We are now working to develop multilingual adaptations of our platform, commencing with the launch of an English version that can be used by all operations across the Group.

Geographic expansion is another core pillar in our strategic plan. Today SEC Newgate ranks 30th in the PRovoke Global Top 250 PR Agency Ranking 2020, placing the business 7th in Europe. In July we started operations in New York and Washington DC, expanding our footprint into a new geographic region through a joint venture to create SEC Newgate US. In the short term, we are committed to assessing the expansion strategy into this huge market in order to reach a consistent presence and develop business potential according to the strategic nature of the US market.

We have also strengthened our presence in Greater China with the appointment of James Hill as Newgate Communications Managing Partner, effective from 22 September 2020. He will be based in Hong Kong and will oversee the firm's expansion in Greater China and work with colleagues in the Asia-Pacific region to expand its pan-regional client base.

In April 2020, the Board of Directors appointed Sergio Penna as the new Group CFO with effect from 1 June 2020. Sergio brings considerable financial experience to the Group and is based in Milan, reporting to the Group CEO.

Concurrently with all these positive steps, we recognised that Covid-19 was going to have a dramatic impact around the world and that we needed to take swift and decisive action. In February, we implemented a spending "handbrake" strategy to protect our cash position and liquidity. Our strategy was also shaped by certain key principles, including:

- to avoid job losses, while securing the safety of our people and their families;
- to defend the level of service delivery and client satisfaction; and
- to keep commercial opportunities alive and ready to be launched.

As a result, in the six months ended 30 June 2020, the Group generated a net cash inflow from operating activities of €4.7m. This positive performance was the result of efficient business and financial management; we secured €105,000 rent reductions and €288,000 of other permanent spending cuts and received the benefit of €494,000 non refundable governmental assistance and €561,000 of deferred payments.

Financial Overview

The following table summarises the Group's key financial results for the six months ended 30 June 2020. The combined SEC Newgate group, including SEC Newgate UK Limited and its subsidiaries, was formed on 3 September 2019 and therefore the trading performance is not reflected in 2019 half year results.

Six months ended 30 June	2020 €' 000	2019 €' 000
Revenues	31,494	15,042
Gross profit	28,014	12,551
Operating profit	2,366	346
Profit before tax	1,509	252
Net debt[1]	13,105	7,980
Net cash inflow/(outflow) from operating activities	4,663	(6,854)

[1] At 30 June 2020 net debt included lease liabilities of €7,124,000 (2019: €5,270,000)

Operational Overview

Africa & Middle East
This is the first year of trading for our Moroccan agency whose focus has primarily been on building awareness and preparing proposals for potential new clients although several campaigns have been postponed. However, the team did work on over 20 projects from pure advisory to lobbying campaigns, working with several of the Group's agencies in different regions and made a good impact in its first period.

Newgate Abu Dhabi clients are primarily Government-linked and many projects were paused due to the pandemic but the team took all steps necessary to continue to fuel its pipeline and to take steps to mitigate its reduction in revenues.

Americas
SEC Newgate Colombia completed its half year in positive territory despite the impact of the Covid-19 pandemic. While some retainer briefs were either reduced or frozen and the Agency's ability to generate new business slowed as a function of the lockdown, the group worked hard to maintain profitability by optimizing costs across the board while taking advantage of Government initiatives. In addition, scope of work was expanded for clients such as Diageo, Adidas, and most notably Didi.

Asia Pacific
The Asia Pacific region as a whole, performed very strongly during the period.

Newgate Australia, one of our larger subsidiaries, was the standout success in the Group during the period. It enjoyed solid revenue growth and was highly profitable for the six months despite initial uncertainty generated by the onset of the virus in March. It successfully maintained its client base and generated many new crisis briefs for major organisations seeking to be considered essential businesses as part of the lockdown. In particular, the Agency's research capabilities were in high demand during the period.

The Greater China offices also performed solidly despite the challenges. Its proximity to the epicenter of the Covid-19 pandemic at the start of the year coupled with the impact of back-to-back holiday events - the Christmas period followed by Chinese New Year in late January - and the trade tensions which were further escalated between the United States of America and China, impacted corporate investment activity and decision making in the region. Notwithstanding, it managed to convert a number of new clients and manage its cost-base sufficiently to successfully navigate the tough trading period.

Newgate Singapore also adjusted quickly to the crisis and managed costs and operational challenges well. Despite the severe challenges, it has successfully converted a number of significant new mandates and managed to remain profitable.

Europe & UK
The Group's agencies in Europe and the UK all had strong starts to the financial year but were inevitably impacted by Covid-19. Necessary steps were taken to mitigate the mid-term consequences and the majority of agencies remained profitable throughout the first half. Whilst most teams spent many months working remotely from the office, the emphasis was on finding innovative ways to service and retain existing clients.

SEC in Italy achieved high renewal rates and limited fee reductions whilst the strict lockdown precautions imposed by the Spanish Government and political instability added to the economic uncertainty and difficult trading conditions. Cambre, based in Brussels, was successful in winning a number of new clients, extending client briefs which ensured that its strong results and profitability continued into the second quarter. The agency also rebooted its lucrative healthcare practice and hosted successful online marketing events. CLAI in France showed great resilience in adapting to the new circumstances and remained profitable throughout the period. 2112, the creative agency, experienced a slowing down in business due to the industry-wide downturn in media and advertising spend. New business opportunities primarily centred around issues management, digital events and research. Significant new clients include Amazon, Netquattro, Semmaris in France, and crisis management services for the Warsaw Stock Exchange in Poland. In the UK, Newgate Communications, which is another of our larger subsidiaries, also remained profitable despite the challenges of the lockdowns and its work was shortlisted for or won six awards in the period.

Outlook

Two new committees were set up following the merger in 2019, the Positioning and Marketing Committees. These are on track to introduce a new Group branding policy and identity which will underpin the Group's first global marketing campaign which will be launched early next year.

The Group continues to focus on driving revenues and managing its cost base to deliver results that are consistent with those achieved in the first half of the year.

If there is one good thing to come out of the Covid-19 pandemic so far, it is the evidence it has provided that we have a truly exceptional and cohesive team that is all pulling in the same direction. We are all committed to focusing on the things we can do to ensure our clients receive the service they need, our people are cared for, and our reputation and brand continues to build so we are in a good position to invest in its future and continue our progress into 2021.

Fiorenzo Tagliabue
Chief Executive Officer

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Condensed consolidated income statement
For the six months ended 30 June 2020

		Six months ended 30 June	
			Restated[1]
		2020	2019
	notes	**€' 000**	€' 000
Continuing operations			
Revenue	4	**31,494**	15,042
Cost of sales		**(3,480)**	(2,491)
Gross profit		**28,014**	12,551
Other income		**403**	42
Operating costs	5	**(26,051)**	(12,247)
Operating profit		**2,366**	346
Net finance cost	6	**(857)**	(94)
Profit before taxation		**1,509**	252

Taxation	7	**(829)**	(225)
Profit for the half year		**680**	27
Profit/(Loss) attributable to:			
Owners of the Company		**377**	36
Non-controlling interests		**303**	(9)
		680	27
Earnings per share attributable to the equity holders of the Company			
Basic, per share		**€0.016**	€0.003
Diluted, per share		**€0.015**	€0.002

[1] As a result of the acquisition of SEC Newgate UK Limited (formerly Porta Communications Plc), the Board has decided to report cost of sales and gross profit as separate line items. To ensure consistent reporting, the 2019 comparatives have been restated. Cost of sales comprise of costs recharged to clients. 2019 costs recharged to clients comprised of €1,352,000 reclassified from revenue (increasing revenue from €13,690,000 to €15,042,000) and €1,139,000 from other operating costs. 2019 costs separately disclosed as employment expense, service costs, depreciation & amortisation and other operating income and charges have been reclassified and disclosed as operating costs.

There were no discontinued operations in the half year.

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	notes	**€' 000**	€' 000
Continuing operations			
Profit for the half year		**680**	27
Items that may be subsequently reclassified to profit or loss:			
Loss on revaluation of investments held at fair value		**-**	(638)
Gain on exchange rates		**345**	19
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension plans		**(5)**	(118)
Total comprehensive income, net of tax		**1,020**	(710)
Total comprehensive income attributable to:			
Owners of the Company		**680**	(714)
Non-controlling interests		**340**	4
		1,020	(710)

Condensed consolidated statement of financial position
As at 30 June 2020

	notes	**30 June 2020 €' 000**	31 December 2019 €' 000
Non-current assets			
Intangible assets	10	**30,856**	30,768
Tangible assets	11	**7,503**	8,984
Investments		**16**	16
Other financial assets		**694**	21
Other assets		**1,874**	3,490
Total non-current assets		**40,943**	43,279
Current assets			
Trade and other receivables		**17,558**	19,656
Financial investments		**-**	280
Cash and cash equivalents		**12,852**	6,138
Total current assets		**30,410**	26,074
Total assets		**71,353**	69,353
Current liabilities			
Trade and other payables		**15,404**	16,861
Borrowings	12	**4,709**	2,447
Lease liabilities		**2,740**	2,861
Provisions	13	**1,583**	1,645
Total current liabilities		**24,436**	23,814
Non-current liabilities			
Employee benefits		**2,142**	2,013
Borrowings	12	**14,124**	12,431
Lease liabilities		**4,385**	5,607
Provisions and other liabilities	13	**5,627**	5,637
Total non-current liabilities		**26,278**	25,688

Total liabilities		**50,714**	49,502
Net assets		**20,639**	19,851

	notes	**30 June 2020 €' 000**	31 December 2019 €' 000
Equity			
Share capital	14	**2,425**	2,425
Share premium		**12,456**	12,456
Legal reserve[1]		**186**	148
Other reserves[2]		**(2,739)**	(3,076)
Retained earnings[3]		**6,495**	6,321
Profit/(Loss) for the half year		**377**	(99)
Total equity shareholders' funds		**19,200**	18,175
Non-controlling interests		**1,439**	1,676
Total equity		**20,639**	19,851

[1] Legal reserve: this reserve is required by law, and it is not distributable.
[2] Other reserves: gains and losses arising on financial assets classified as fair value through other comprehensive income, actuarial valuation on pension allowance and exchange rates differences.
[3] Retained earnings: all current and prior period net gains and losses attributable to the owners of the Company which are not recognised elsewhere.

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2020

	Share capital €' 000	**Share premium €' 000**	**Legal reserve €' 000**	**Other reserves €' 000**	**Retained earnings €' 000**	**Total equity share-holders' funds €' 000**	**Non-controlling interests €' 000**	**Total equity €' 000**
At 1 January 2020	**2,425**	**12,456**	**148**	**(3,076)**	**6,222**	**18,175**	**1,676**	**19,851**
Total comprehensive income								
Profit for the half year	-	-	-	-	377	377	303	680
Other comprehensive income	-	-	-	303	-	303	37	340
Total comprehensive income	**-**	**-**	**-**	**303**	**377**	**680**	**340**	**1,020**
Transactions with owners								
Dividends declared to non-controlling interests	-	-	-	-	-	-	(266)	(266)
Transfer between reserves	-	-	38	-	(38)	-	-	-
Movement in non-controlling interest without a change in control	-	-	-	-	311	311	(311)	-
Equity components of loans	-	-	-	34	-	34	-	34
Total transactions with owners	**-**	**-**	**38**	**34**	**273**	**345**	**(577)**	**(232)**
At 30 June 2020	**2,425**	**12,456**	**186**	**(2,739)**	**6,872**	**19,200**	**1,439**	**20,639**

Condensed consolidated statement of cash flows
For the six months ended 30 June 2020

	notes	**Six months ended 30 June 2020 €' 000**	2019 €' 000
Cash flows from operating activities			
Profit before tax on continuing activities		**1,509**	252
Adjusted for:			
Net finance costs	6	**857**	94
Net exchange differences		**(249)**	(7)
Amortisation of intangible assets	10	**200**	41
Depreciation of tangible assets	11	**1,615**	717
Pension provisions		**123**	249
Long-term provisions		**342**	(6,422)

Other non-cash movements	**-**	19
Gain on disposal of intangible assets	**3**	-
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	**2,748**	(270)
Decrease in trade and other payables	**(1,850)**	(423)
Cash generated from operating activities	**5,298**	(5,750)
Income tax paid	**(635)**	(834)
Net cash inflow/(outflow) from operating activities	**4,663**	(6,584)
Cash flows from investing activities		
Acquisition of tangible assets	**(86)**	(5,848)
Acquisition of intangible assets	**(133)**	(36)
Acquisition and earn-out payments	**(62)**	-
Cash from acquisitions	**-**	6,447
Proceeds from sale/(acquisition) of financial assets	**261**	(302)
Proceeds from sale of investments	**-**	926
Interest received	**63**	-
Net cash inflow from investing activities	**43**	1,187
Cash flows from financing activities		
Interest paid	**(370)**	(174)
Lease payments (principal)	**(1,387)**	-
Proceeds from loans and borrowings	**5,386**	6,962
Repayment of loans and borrowings	**(1,219)**	(2,801)
Dividends paid to non-controlling interests	**(266)**	(444)
Minorities	**-**	(472)
Net cash inflow from financing activities	**2,144**	3,071
Net cash increase/(decrease)	**6,850**	(2,326)
Cash and cash equivalents at 1 January	**6,138**	5,220
Effect of exchange rate changes	**(175)**	1
Cash and cash equivalents at 30 June	**12,813**	2,895
Comprising:		
Cash and cash equivalents	**12,852**	2,926
Overdrafts	**(39)**	(31)
	12,813	2,895

Notes to the condensed consolidated interim financial statements
For the six months ended 30 June 2020

1. Corporate Information

SEC Newgate S.p.A. (the "Company") was incorporated in March 1989 and is based in Milan. On 4 September 2019, the Company name was changed from SEC S.p.A to SEC Newgate S.p.A. The registered office and principal executive office of SEC Newgate S.p.A. is located at Via Ferrante Aporti 8, Milano 20125.

The unaudited condensed consolidated interim financial statements (the "interim financial statements") for the six months ended 30 June 2020, represent the result of the Company and its subsidiaries (together referred to as 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 most relevant operating subsidiaries of the Company included in the consolidated financial information, are as follows:

Name	Location	Percentage held
21:12 Communication Ltd[1]	London (UK)	67%
ACH SEC Global SL	Madrid (Spain)	65.7%
Cambre Associates SA	Brussels (Belgium)	76%
Cambre Advocacy Maroc	Rabat (Morocco)	51%
CLAI SAS	Paris (France)	10%
EngageComm Pty Limited	Sydney (Australia)	51%
HIT S.r.l.	Milan (Italy)	57.71%
Kohl PR & Partners GMBH	Berlin (Germany)	75%
Martis Consulting Sp. z o. o.	Warsaw (Poland)	60%
Newgate Communications (HK) Limited[2]	Hong Kong	100%
Newgate Communications (Singapore) Ltd	Singapore	51%
Newgate Communications Pty Limited	Sydney (Australia)	66.72%
Newgate Communications (Beijing) Limited	Beijing (China)	85%
Newgate Communications FZ-LLC	Abu Dhabi (UAE)	76%
Newgate Communications Limited	London (UK)	100%
Newington Communications Limited	London (UK)	60%
Sec & Associati S.r.l.	Turin (Italy)	51%
Sec Mediterranea S.r.l.	Bari (Italy)	51%
Sec & Partners S.r.l.	Rome (Italy)	50.5%
SEC Latam Comunicaciones SAS	Bogotà (Colombia)	51%

During the half year, % held changes were as follows:

[1] Disposal reduced holding 7% from 74% to 67%

[2] Follow on acquisition increased holding 15% from 85% to 100%.

2. 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 periods presented, unless otherwise stated.

These interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements, SEC Newgate S.p.A. annual report and accounts for the year ended 31 December 2019 (found www.secnewgate.com/investors), which have been prepared in accordance with the International Financial Standards and International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the European Union. These interim financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the Group's last annual consolidated financial statements.

2. Accounting policies (continued)

a. Basis of preparation (continued)

The financial information has been prepared under the historical cost convention, except for financial instruments that have been measured at fair value.

The interim financial statements are presented in Euros (EUR), the Company's functional and presentation currency.

These interim financial statements have been prepared on a going concern basis in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed under section d. Critical accounting estimates and judgements.

New and amended standards adopted by the Group

The amendments to accounting standards that are effective for annual periods beginning on 1 January 2020 did not have a significant impact on the Group's results.

Further details of new or revised accounting standards, interpretations or amendments which are effective for periods beginning on or after 1 January 2020 and their impact on the Group can be found in the SEC Newgate S.p.A. annual report and accounts for the year ended 31 December 2019.

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions amendment to IFRS 16 Leases (IFRS 16). IFRS 16 has been amended to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. The Group has elected to early adopt these changes, otherwise effective for annual reporting periods beginning on or after 1 June 2020. The changes do not have a material impact on the Group's results.

b. 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 to continue in operational existence for the foreseeable future. Notwithstanding the impact of Covid-19 the Group continues to adopt the going concern basis in preparing the interim financial statements.

Since the outbreak of the global pandemic, the Group's agencies have all implemented business continuity plans, working remotely under varying levels of lockdowns in their markets around the world. The aim of the Group was to secure savings, protect the cash position and liquidity, assess costs, renegotiate payment schedules and taking advantage of all the initiatives offered by different national governments. The Group continues to operate profitably. All businesses have quickly adapted to the changed working environment and continue to provide first class service to clients.

c. Basis of consolidation

The interim financial statement includes the financial statements of the Company and its subsidiaries for the six months ended 30 June 2020 and present financial performance comparative information for the six months ended 30 June 2019 and the financial position comparative information for the year ended 31 December 2019.

Subsidiaries are all entities over which the Group has control. A company is classified as a subsidiary when the 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.

2. Accounting policies (continued)

c. Basis of consolidation (continued)

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial information includes the results of the Company and its subsidiary undertakings made up to the same accounting date.

Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent of the Group and to non-controlling interests. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

d. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Areas subject to estimation uncertainty and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are combined and discussed below.

Impairment of goodwill

The carrying value of goodwill is subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable, in accordance with the Group's accounting policies. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates.

At 30 June 2020 management have reviewed trading performances against budget, and the impact of the Covid-19 pandemic on the Group's cash flow forecasts. Management noted that at the consolidated Group level the impact of the pandemic has not had a significant impact, such to indicate that a full impairment review was required. However, management are mindful of the continued uncertainty caused by the pandemic and plan to undertake a full impairment review once the full impact of the pandemic can be quantified with more certainty (taking into account recent performance data during the peak and subsequent easement of the pandemic's restrictions) and long-term meaningful assumptions applied when calculating value-in-use.

Impairment of trade receivables

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.

Fair value measurements and valuation processes

Some of the Group's financial assets and liabilities are measured at fair value for financial statements purposes. In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available.

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 Condensed consolidated statement of comprehensive income in specific periods.

3. Segmental reporting

Business segments

The Board considers that the principal activity of the Group constitutes one operating and one reporting segment, as defined under IFRS 8. Management reviews the performance of the Group by reference to total actual result against the total budgeted result in order to make strategic decisions.

Geographical segments

Services provided by Group entities located in each of the following countries are as follows:

	Revenue - Six months ended 30 June			
	2020		2019	
	€' 000	**%**	€' 000	%
Italy	**5,373**	**17%**	6,391	43%
United Kingdom	**9,872**	**31%**	1,780	13%
Belgium	**2,276**	**7%**	1,946	14%
Colombia	**1,348**	**4%**	1,773	8%
Spain	**449**	**1%**	433	2%
Poland	**336**	**1%**	519	4%
France	**2,060**	**7%**	1,933	14%
Germany	**184**	**1%**	267	2%
Australia	**7,905**	**25%**	-	0%
Hong Kong	**618**	**2%**	-	0%
China	**20**	**0%**	-	0%
Singapore	**597**	**2%**	-	0%
Abu Dhabi	**361**	**1%**	-	0%
Morocco	**95**	**0%**	-	0%
	31,494	**100%**	15,042	100%

No individual client sales were greater than 10% of Group revenue (2019: none).

4. Revenue

The nature of services provided can vary significantly depending on the requirements of the customer. The Group provides a range of communications, public affairs and integrated services specialising in corporate and financial communications, consumer PR, investor relations, financial communications, B2B PR, public affairs, digital services, research, analytics and media planning and buying.

Services provided by Group entities has been split into the following categories:

	Six months ended 30 June	
		Restated[1]
	2020	2019
	€' 000	€' 000
Communications and public relations	**19,941**	8,516
Advocacy and public affairs	**8,143**	5,203
Integrated services	**3,410**	1,323
	31,494	15,042

[1] As a result of the acquisition of SEC Newgate UK Limited (formerly Porta Communications Plc), the Board has decided to report cost of sales and gross profit as separate line items. To ensure consistent reporting, the 2019 comparatives have been restated. Cost of sales comprise of costs recharged to clients. 2019 costs recharged to clients comprised of €1,352,000 reclassified from revenue (increasing revenue from €13,690,000 to €15,042,000).

Communications and public relations revenue comprise of services relating to mergers and acquisitions, crisis communications and planning, corporate positioning, consumer PR, IPOs, investor relations and media training.

Advocacy and public affairs revenue comprise of services relating to positioning events and strategies, policy development, government relations and national and local government coverage.

Integrated services revenue comprise of research, innovation and digital relates services relating to reputation research, advanced modelling and analytics, creative design and concepts, digital development and video animation and production.

5. Operating costs

Operating costs comprise of:

	Six months ended 30 June	
	2020	2019
	€' 000	€' 000
Employee expenses	**18,399**	7,345
Amortisation of intangible assets	**200**	41
Depreciation of tangible assets	**1,615**	717
Impairment of trade receivables	**236**	-
Administrative and other operating expenses	**5,601**	4,144
	26,051	12,247

6. Net finance costs

	Six months ended 30 June	
	2020	2019
	€' 000	€' 000
Interest income on bank deposits	**63**	-
Dividend income	**-**	1
Fair value gains on financial assets at fair value through profit or loss	**22**	90
Finance income	**85**	91
Interest expense	**(352)**	(69)
Interest on lease liabilities	**(196)**	(106)

Fair value losses on financial assets at fair value through profit or loss	**-**	(4)
Net foreign exchange loss	**(394)**	(6)
Finance expense	**(942)**	(185)
Net finance expense	**(857)**	(94)

7. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2020 is 28%, compared to 27% for the six months ended 30 June 2019.

8. Financial instruments and risk management

The Group's financial assets and liabilities are measured at fair value (either through profit or loss or through other comprehensive income) or amortised fair value.

Fair value hierarchy

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value used for evaluating the financial investments are based on quoted prices in an active market (level 1). The Group has estimated relevant fair values on the basis of publicly available information from outside sources. All other financial assets and liabilities are measured at amortised cost or at cost (undiscounted cash flows) as reasonable approximation of fair value.

During the period ended 30 June 2020, there were no assets or liabilities transferred between the fair value levels.

The Group's financial assets and liabilities are as follows:

		30 June 2020		31 December 2019	
		Carrying Value	**Fair Value**	Carrying Value	Fair Value
	notes	**€' 000**	**€' 000**	€' 000	€' 000
Financial assets					
Investments		**16**	**16**	16	16
Other financial assets at amortised cost		**669**	**669**	1,458	1,458
Trade and other receivables		**17,558**	**17,558**	16,467	16,467
Financial investments		**-**	**-**	280	280
Cash and cash equivalents		**12,852**	**12,852**	6,138	6,138
		31,095	**31,095**	24,359	24,359
Financial liabilities					
Trade and other payables		**6,391**	**6,391**	8,876	8,876
Lease liabilities		**7,124**	**7,124**	8,468	8,468
Provisions - earn out liabilities[1]		**6,337**	**6,337**	6,399	6,399
Other financial liabilities		**63**	**63**	590	590
Borrowings[2]		**18,833**	**18,833**	14,878	14,878
		38,748	**38,748**	39,211	39,211

[1] Earn out liabilities (both current and non-current) have been aggregated. 2019 comparatives above have been restated to include non-current earn out liabilities of €4,754,000 previously reported as other financial liabilities.

[2] Including €39,000 overdrafts (2019: €31,000). The Group has both long-term borrowings to fund acquisitions and short-term facilities for working capital requirements.

Management have assessed that the fair value of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current assets and liabilities approximate to their carrying amounts as those items have short term maturities.

Maturity profile of financial liabilities	**30 June 2020 €'000**
Due in six months or less	9,328
Due between six months and 1 year	6,096
Due between 1 year and 2 years	7,455
Due between 2 and 5 years	10,153
Due in 5 years or more	5,716
	38,748

Capital management

The capital structure of the Group comprises the equity attributable to equity shareholders of the Company, which includes issued share capital, reserves and retained earnings. Quantitative data on these is set out in the condensed consolidated statement of changes in equity.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

9. Consolidated reconciliation of net debt

	Net debt as at 1 January 2020	**Cash flow movements**	**Non-cash movements**	**Net debt as at 30 June 2020**
	€' 000	**€' 000**	**€' 000**	**€' 000**
Cash, cash equivalents	**6,138**	**6,889**[1]	**(175)**	**12,852**
Borrowings	**(14,878)**	**(4,168)**[1]	**213**	**(18,833)**
Lease liabilities	**(8,468)**	**1,583**	**(239)**	**(7,124)**
Net debt	**(17,208)**	**4,304**	**(201)**	**(13,105)**

[1] Cash-flow statements report €6,850,000, made by €6,889,000 included in cash and cash equivalents and (€39,000) overdrafts included in Borrowings.

10. Intangible assets

	Goodwill	Websites, software and licences	Total
	€' 000	**€' 000**	**€' 000**
Cost			
At 31 December 2019	29,354	2,193	31,547
Additions	**-**	**298**	**298**
Disposals	**-**	**(9)**	**(9)**
Translation differences	**-**	**(41)**	**(41)**
At 30 June 2020	**29,354**	**2,441**	**31,795**
Amortisation and impairment			
At 31 December 2019	-	(779)	(779)
Charge for the period	**-**	**(200)**	**(200)**
Eliminated on disposal	**-**	**6**	**6**
Translation differences	**-**	**34**	**34**
At 30 June 2020	**-**	**(939)**	**(939)**
Net book value			
At 31 December 2019	29,354	1,414	30,768
At 30 June 2020	**29,354**	**1,502**	**30,856**

Impairment testing for cash-generating units containing goodwill

In preparing interim financial statements, management have reviewed the impact of the Covid-19 pandemic on the Group's trading performance and its forecast cash flows. At 30 June 2020 management have determined that pandemic's impact at a Group level has not been significant such to warrant a full impairment review, however when considering the ongoing impact at local level and potential for uncertainty caused by the pandemic on the single cash generating units, management have decided to undertake a full impairment review at year-end.

11. Tangible assets

	Leasehold property	Leasehold improvements	Equipment	Furniture and fittings	Total
	€' 000	**€' 000**	**€' 000**	**€' 000**	**€' 000**
Cost					
At 31 December 2019	9,742	2,113	1,193	1,921	14,969
Additions	**188**	**5**	**120**	**30**	**343**
Transfers between categories	**-**	**-**	**17**	**(17)**	**-**
Disposals	**(75)**	**-**	**(11)**	**-**	**(86)**
Revaluation decrease	**(7)**	**-**	**-**	**-**	**(7)**
Translation differences	**(274)**	**(78)**	**(52)**	**(53)**	**(457)**
At 30 June 2020	**9,574**	**2,040**	**1,267**	**1,881**	**14,762**
Depreciation					
At 31 December 2019	(2,660)	(1,336)	(785)	(1,204)	(5,985)
Charge for the period	**(1,260)**	**(132)**	**(111)**	**(112)**	**(1,615)**
Transfers between categories	**-**	**-**	**(16)**	**16**	**-**
Eliminated on disposal	**75**	**-**	**11**	**-**	**86**
Translation differences	**122**	**59**	**37**	**37**	**255**
At 30 June 2020	**(3,723)**	**(1,409)**	**(864)**	**(1,263)**	**(7,259)**
Net book value					
At 31 December 2019	7,082	777	408	717	8,984
At 30 June 2020	**5,851**	**631**	**403**	**618**	**7,503**

Included in the amounts above are the following in relation to right-of-use assets:

	Depreciation 30 June 2020	Net Book Value 30 June 2020
	€' 000	**€' 000**
Leasehold property	**952**	**5,634**
Leasehold improvements	**1**	**-**
Equipment	**43**	**152**
Furniture and fittings	**22**	**96**
	1,018	**5,882**

Additions to the right-of-use assets during the half year were €257,000.

12. Borrowings

	30 June 2020 Current	30 June 2020 Non-current	30 June 2020	31 December 2019
	€' 000	€' 000	**€' 000**	€' 000
Hawk Investment Holdings	-	4,519	**4.519**	4,703
Unicredit[1]	4,026	-	**4.026**	4,194
Deutsche Bank	368	2,422	**2.790**	3,026

Inveready convertible bonds	-	2,424	**2.424**	-
UBS	-	1,762	**1.762**	1,762
Carige	14	1,436	**1.450**	401
Banco Popolare di Milano	132	832	**964**	57
Retro Grand Limited	-	420	**420**	449
Banco de Bogota	21	82	**103**	-
Bankinter	-	100	**100**	100
Scotiabank Colpatria	44	47	**91**	-
KBC Bank	56	-	**56**	141
Coronavirus Business Interruption Loan	-	55	**55**	-
Intesa Sanpaulo	12	25	**37**	-
Interest payable	35	-	**35**	43
Itau Corpbanca	1	-	**1**	2
	4,709	14,124	**18,833**	14,878

[1] SEC Newgate S.p.A. obtained a loan of €4.0 million in 2019 from Unicredit S.p.A., at an interest rate of Euribor 3 months repayable in quarterly instalments between October 2019 and March 2025. The loan agreement is subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company fulfilled the debt/equity ratio as required in the contract, while the debt/EBITDA ratio was not fulfilled. In case of breach of the covenant clauses, the bank is contractually entitled to request immediate repayment of the outstanding loan balance. The bank had not requested early repayment of the loan at the date of approval of these financial statements. Management is in the process of renegotiating the terms of the loan agreement with the bank. The outstanding balance of €3,799,000 is entirely presented as a current liability at 30 June 2020. Total amounts owed of €4,026,000 at 30 June 2020 include €227,000 remaining outstanding from a previous loan of €1.0 million, approved in 2016, repayable by December 2020.

13. Provisions and other liabilities

	30 June 2020	31 December 2019
	€' 000	€' 000
Earn out liabilities	**1,583**	1,645
Current	**1,583**	1,645
Earn out liabilities	**4,754**	4,754
Dilapidations provision	**274**	293
Directors and other employee benefits	**80**	397
Other non-current liabilities	**519**	193
Non-current	**5,627**	5,637

The earn out liabilities relate to SEC+Latam Communications Estrategica SAS and CLAI SAS.

Other non-current liabilities relate to long service leave liability required by certain Australian states and territories for long serving employees.

14. Share capital

Authorised, issued and fully paid capital

	Number	**€**
At 31 December 2019 and 30 June 2020		
Ordinary shares of 0.10 EUR each	**24,250,907**	**2,425,090.70**

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.

Earnings per share

The basic and diluted earnings per share are 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:

	Six months ended 30 June	
	2020	2019
Profit for the half year attributable to owners of the Company	**€377,000**	€36,000
Weighted average number of shares	**24,250,907**	13,502,533
Earnings per share, basic	**€0.016**	€0.003

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

On 28 March 2018, the Board of Directors, in line with resolutions passed at the shareholders' meeting on 27 October 2017, established a stock option plan for managers of the investee companies and the parent company. A maximum of 480,000 shares could be issued.

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:

	Six months ended 30 June	
	2020	2019
Profit for the half year attributable to owners of the Company	**€377,000**	€36,000
Weighted average number of shares	**25,539,907**	14,791,533
Earnings per share, diluted	**€0.015**	€0.002

15. Business combination

The condensed consolidated interim financial statements for six months ended 30 June 2020 reflect the results of the enlarged group following the merger of SEC Newgate UK Limited (formerly Porta Communications Plc) and its subsidiaries.
On 3 September 2019, SEC Newgate S.p.A, who previously held 16.9% of SEC Newgate UK Limited ("SEC UK") purchased the remaining share capital resulting in 100% ownership of SEC UK. As a result, SEC Newgate S.p.A, also indirectly controls the subsidiaries of SEC UK which have been consolidated at year end.

16. Related parties

From time to time the Group enters into transactions with its associate undertakings.
All related party transactions were on normal commercial terms.

17. Ultimate controlling party

There is no ultimate controlling party. At 30 June 2020, following the acquisition of SEC Newgate UK Limited (see note 15), SEC Newgate S.p.A is 36.03% controlled by Fiorenzo Tagliabue.

18. Subsequent events

Management continue to monitor the impact of the Covid-19 pandemic on the Group.

On 1 July 2020, SEC Newgate S.p.A. acquired further 8.85% of Newgate Communications Pty Limited, based in Australia, increasing the ownership from previous 66.72% to current 75.572%.

On 1 July 2020, SEC Newgate S.p.A. established SEC Newgate US LLC, a new joint venture based in the USA in which the Group has a 55% ownership.

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