Somec S.p.A.

Interim Financial Report
as at and for the six months
ended 30 June 2020

Interim Directors' Report for the condensed Consolidated Financial Statements as at and for the period ended 30 June 2020

Introduction
On 28 September 2020, the Board of Directors approved the Condensed Consolidated Interim Financial Report for the six months ended 30 June 2020 prepared by the Parent company, Somec S.p.A.

The condensed Consolidated Interim Financial Report was drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, on the basis of IAS 34 Interim Financial Reporting. "IFRS" also includes all amended International Accounting Standards ("IAS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

Alternative performance indicators
Somec's management measures the performance of the Group and its business units partly based on some performance indicators not required by IFRS. More specifically, EBITDA and EBIT are used to measure the Group's profitability.

As required by Consob Notice no. 0092543 of 3 December 2015, which transposes the ESMA/2015/1415 guidelines on alternative performance indicators, the components of each indicator are described below:

- **EBT** is obtained by adding income taxes to net profit for the year, as reported in the financial statements;
- **EBIT** is obtained by adding net financial income/expense, i.e. the sum of financial income and charges, net exchange rate gains and losses and net income from associates to income before taxes;
- **EBITDA** is obtained by adding amortisation, depreciation and other write-downs to EBIT, as reported in the financial statements;
- **Adjusted EBITDA** is obtained by adding non-recurring costs to EBITDA;
- **Backlog** is the residual value of the orders that have yet to be completed.
  This amount accounts for the difference between the total nominal value of an order (including additions or modifications) on a certain date and the value on the same date of revenues from contracts with customers relating to orders associated with such contracts;
- **Backlog under Option** is the total value of the contractual options on orders that are held but have yet to be exercised by customers on a certain date;
- **Total Backlog** is the sum of Backlog and Backlog under option;
- **Net Debt is** determined in accordance with CONSOB notice no. DEM/6064293 of 28 July 2006.

Corporate bodies and corporate information

Board of Directors

Oscar Marchetto
Chairman of the Board of Directors
Giancarlo Corazza
Director and Executive Officer
Alessandro Zanchetta
Director and Executive Officer
Gianna Adami
Lead Independent Director
Stefano Campoccia
Independent Director

The term of office of the Board of Directors ends with the approval of the financial statements as at 31 December 2022, with the exception of the Director Stefano Campoccia, who has been appointed by means of co-option by the Board on 16 July 2020 and shall remain in office until the next Shareholders' Meeting.

Board of Statutory Auditors

Michele Furlanetto
Chairman of the Board of Statutory Auditors
Annarita Fava
Standing Auditor
Luciano Francini
Standing Auditor
Lorenzo Boer
Alternate Auditor
Aldo Giusti
Alternate Auditor

The term of office of the Board of Statutory Auditors ends with the approval of the financial statements as at 31 December 2022.

Manager responsible for preparing Financial Reports
Federico Puppin

Committees

Gianna Adami, Stefano Campoccia
Related party Committee

Gianna Adami, Stefano Campoccia
Remuneration Committee

Gianna Adami, Stefano Campoccia
Control Committee

Independent Auditing Firm

EY S.p.A.

The Firm Auditing Company EY S.p.A. has been assigned the performance of the statutory audit up until the approval of the financial statements as at 31 December 2028.

Registered office and corporate details

Somec S.p.A.
Via Palù, 30
31020 San Vendemiano (TV)
Italy
Ph: +39 0438 4717
Share capital EUR 6,900,000.00 fully paid in
VAT no. IT 04245710266
www.somecgroup.com

Investor Relations

email: ir@somecgroup.com
Ph: +39 0438 471998

General information

Design for land and sea

Somec Group

is a leading global player that specialises in the business of design and execution of major turnkey marine or land-based projects involving glass building façades, special architectural projects, public area interiors, and professional cooking equipment. All the Group's main activities are project-based, designing and producing unique solutions suitable for use in the most extreme conditions and to the highest safety and quality standards of marine and civil engineering. Indeed, the projects overseen by the Group are recognisable for their originality and the specific technological expertise that is typically required for large, high value-added orders.

The Group operates through two business units: ***Seascape***, dedicated to marine projects, and ***Landscape***, dedicated to land-based projects.

Seascape

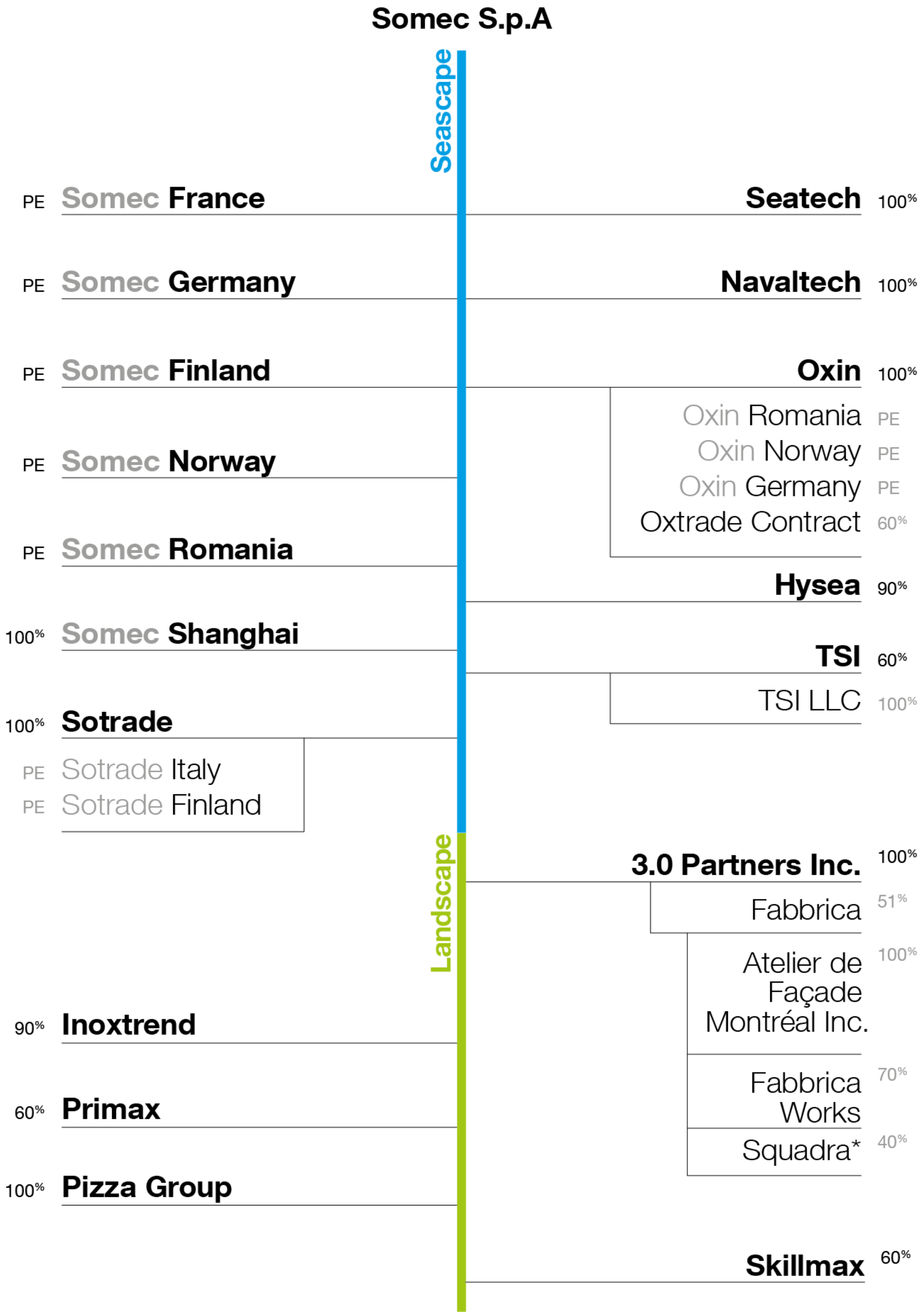
The Seascape division places Somec Group as one of the world's leading players in the segment of design, customised production and installation of glass envelopes used in the construction of new cruise ships (Marine Glazing), design and installation of custom made catering areas for cruise ships (Marine Cooking Equipment) and outfitting on public spaces on ships, including halls, casinos, shops, theatres, lounges, and restaurants (Marine Public Areas). The Group offers both services for cruise ship newbuild orders, as well as refitting services for the conversion, modernisation, replacement and repair of glazing elements and public spaces on existing cruise ships.

Landscape

Somec's Landscape Division's services (through its subsidiary Fabbrica LLC) include ad-hoc design, customised production and installation of façades and personalised high quality, innovative external fittings for office, retail, government and public buildings in some major cities in the North East of the United States (Building Façades). Since acquiring Skillmax, the Group also offers specialist outfitting services for public space interiors, such as halls, retail outlets, restaurants, and offices (Public Area Interiors). Finally, the Group makes professional equipment for the catering and restaurant business (Professional Cooking Equipment).

Somec Group structure

The following graph shows the Group's structure at 30 June 2020.



PE: Permanent Establishment
***Squadra S.r.l.** 40% owned by Somec S.p.A. and Fabbrica LLC

Scope of consolidation

As at 30 June 2020, the scope of consolidation includes the following companies directly or indirectly owned by Somec S.p.A., all of which are consolidated on a line-by-line basis.

Company	Registered office	% ownership	Currency	Share Capital
Directly owned subsidiaries:				(currency unit)
Hysea S.r.l.	San Vendemiano (TV)	90%	EUR	100,000
Sotrade Sro	Piestany (Slovakia)	100%	EUR	92,380
Navaltech LLC	Miami (USA)	100%	USD	1,000
Seatech UK Ltd	Southampton (UK)	100%	GBP	100
Oxin S.r.l.	Codognè (TV)	100%	EUR	100,000
Inoxtrend S.r.l.	Santa Lucia di Piave (TV)	90%	EUR	122,222
Primax S.r.l.	San Vito al Tagliamento (PN)	60% *	EUR	1,030,000
Somec Shanghai Co., Ltd,	Shanghai (Cina)	100%	CNY	527,486
Total Solutions Interiors S.r.l.	Cantù (CO)	60% **	EUR	100,000
3.0 Partners USA Inc.	New York (USA)	100%	USD	10,000
Pizza Group S.r.l.	San Vito al Tagliamento (PN)	100%	EUR	12,000
Skillmax S.r.l.	San Biagio di Callalta (TV)	60% **	EUR	500,000

Indirectly owned subsidiaries and associates:				
Fabbrica LLC	Delaware (USA)	50.90%	USD	9,935,407
Atelier de Facades Montreal Inc.	Montreal (Canada)	50.90%	CAD	-
Oxtrade Contract S.r.l.	Tg - Mures (Romania)	60%	RON	100
Total Solutions Interiors LLC	Miami (USA)	60%	USD	-
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	35.63%	EUR	100,000

* The Primax acquisition includes "Put and Call" options on the minority stake, which are exercisable as of 2021. Minority interests are not recognised in the consolidated income statement in light of the Put and Call options in place.

** The acquisitions of Skillmax S.r.l. and Total Solution Interiors S.r.l. both provide for put and call options on the remaining 40%, which are exercisable as of 2024 (up until the end of 2025) and 2022 (up until the end of 2024) respectively. Minority interests are not recognised in the consolidated income statement in light of the Put and Call options in place.

Compared to 31 December 2019, the scope of consolidation now includes the company Pizza Group S.r.l., control of which was acquired by the Parent Company on 15 January 2020 and which is consolidated on a line-by-line basis over the entire period. Fabbrica Works S.r.l., which is indirectly controlled through Fabbrica LLC as of January 2020, was also consolidated over the entire period.
The purchase of the majority stake in Skillmax S.r.l. in May 2020 has been recognised in the accounts as of the acquisition date.

List of Company premises

Pursuant to article 2428 of Italy's Civil Code, the company operates in Italy at its registered office in Via Palù 30 in San Vendemiano (TV), its premises in Via Palù 34, 32 and 38, also in San Vendemiano (TV), and a warehouse in Susegana (TV).
The Group also operates through permanent establishments in Saint Nazaire in France, Turku in Finland, Papenburg and Wismar in Germany, Tulcea in Romania, and Sovik in Norway.
The Group is also active in Miami (USA), Connecticut (USA), Delaware (USA), Montreal (Canada), Piestany (Slovakia), Southampton (UK), Bucharest (Romania), Santa Lucia di Piave

(TV), Codognè (TV), San Vito al Tagliamento (PN), Cantù (CO), Aprilia (LT), Marghera (VE), San Biagio di Callalta (TV) and Padua.

Significant events during the first half of 2020

Pizza Group acquisition
15 January 2020, Somec S.p.A. finalised the purchase of 100% of Pizza Group S.r.l. shares.
Thanks to this deal, Somec has expanded its offering in the Professional Cooking Equipment segment to include equipment and special ovens for pizzerias. The division already included the Inoxtrend and Primax brands, which specialise in the design and production of professional ovens and blast chillers, completing the Group's offering in the catering and marine catering sector.

Fabbrica Works
27 January 2020, Somec announced the launch of its European Building Façades operations, after acquiring a stake in Fabbrica Works S.r.l. through its subsidiary Fabbrica LLC. This marks another big step in the Group's strategy of growing through targeted investments with the aim of gradually internalising the strategic stages of the value chain. The purpose of the Fabbrica Works acquisition is to enable the Group to oversee all stages of production during Building Façades projects and allow Fabbrica LLC to have a commercial presence in the Building Façades segment through its European branch.

COVID-19 crisis
23 March 2020, in compliance with the Ministerial Decree of 22 March 2020 and subsequent measures to tackle the COVID-19 crisis, Somec ordered the shutdown of some of its Italian sites between 25 March and 27 April 2020.
Operations at shipyards in Italy and France were also suspended. During this time, activity at US production sites and overseas shipyards continued, albeit at reduced capacity. Moreover, Group employees faced difficulties travelling to other countries or between shipyards. The shutdowns and subsequent gradual resumption of operations at the Group's premises in Italy and Italian and French shipyards led to a partial reduction in productivity at the local level.
Executive and administrative corporate functions continued to operate throughout using remote working solutions to support and coordinate the Group's international activities.

Once the early data on the Coronavirus outbreak began to emerge, Somec Group took proactive steps to adapt to the prescribed measures at its Italian premises, immediately and voluntarily putting in place all measures required to safeguard the health of its employees and establishing an internal task force to monitor the situation on a daily basis. The task force managed all employment issues in agreement with the authorities by using the government furlough scheme.

Skillmax acquisition
6 May 2020, Somec S.p.A. finalised the acquisition of Skillmax S.r.l. which supplies and fits out high-end turnkey interior furnishing solutions for boutiques, stores, hotels and public areas.

Significant events after 30 June 2020

Acquisition of GICO – Grandi Impianti Cucine
15 July 2020, Somec completed the acquisition of 60% of GICO - Grandi Impianti Cucine - S.p.A., a company that designs, produces and distributes high-end, bespoke solutions for professional kitchens. The GICO - Grandi Impianti Cucine brand is internationally renowned for its reliability, attention to detail, and unique style.

Shares begin trading on MTA
4th August 2020, Borsa italiana S.p.A. ("Borsa Italiana") set the start of trading of the Somac ordinary shares on the Mercato Telematico Azionario ("MTA") and concurrently excluded the shares from trading on AIM Italia.

GICO capital increase
2 September 2020, Somec increased its investment in GICO - Grandi Impianti Cucine - S.p.A. to 80% of the share capital by subscribing to a reserved capital increase.

2019 dividend distribution
28 September 2020, the Ordinary General Meeting of Shareholders on 14 May 2020 approved the distribution of a pre-tax dividend of Euro 0.50 (fifty cents) per share for each outstanding Somec S.p.A. share, according to the following timetable: 28 September 2020 ex-dividend date, 29 September 2020 record date, 30 September 2020 payment date.

Order Backlog

During the first half of 2020, the Group received over 120 million Euro of new orders. Considering the over 100 million Euro of orders received after 30 June 2020, the year-to-date order intake stands at over 220 million Euro.

Total Group backlog[1] reached 720 million Euro as at 30 June 2020 (exceeding the 552 million Euro total of 30 June 2019 by 168 million Euro).

Orders under option account for 24% of the total backlog of 720 million Euro.

The following table shows a summarised breakdown of orders in our backlog.

Seascape			**Landscape**
Marine Glazing	Marine Cooking Equipment	Marine Public Areas	Building Façades
54.3%	20.0%	7.0%	18.7%

[1]Total backlog: backlog plus backlog under option, as described in the Prospectus.

Somec Group operating performance

Results

Below is the reclassified consolidated income statement as at 30 June 2020 and 30 June 2019:

Reclassified consolidated income statement

Amounts in €/000	**Half-year as at 30 June 2020**	*%*	**Half-year as at 30 June 2019**	*%*	Δ%
Revenues from contracts with customers	113,022	*99.5%*	122,414	*99.6%*	-7.7%
Other operating income	536	*0.5%*	509	*0.4%*	5.3%
Total Revenues	**113,558**	***100.0%***	**122,923**	***100.0%***	**-7.6%**
Purchases, services and other expenses	(83,601)	*-73.6%*	(92,316)	*-75.1%*	-9.4%
Personnel expenses	(19,289)	*-17.0%*	(18,815)	*-15.3%*	2.5%
Operating costs	**(102,890)**	***-90.6%***	**(111,131)**	***-90.4%***	**-7.4%**
Gross Operating Profit (EBITDA) *	**10,668**	***9.4%***	**11,792**	***9.6%***	**-9.5%**
Depreciation, amortisation and other write-downs	(7,319)	*-6.4%*	(4,807)	*-3.9%*	52.3%
Operating income (EBIT)	**3,349**	***2.9%***	**6,985**	***5.7%***	**-52.1%**
Financial income (expenses) **	371	*0.3%*	(456)	*-0.4%*	-181.4%
Income from associates and joint ventures	49	*0.0%*	28	*0.0%*	75.0%
Pre-tax profit (EBT)	**3,769**	***3.3%***	**6,557**	***5.3%***	**-42.5%**
Income taxes for the period	(820)	*-0.7%*	(1,297)	*-1.1%*	-36.8%
Tax-rate	*21.8%*		*19.8%*		
Consolidated Net Income	**2,949**	***2.6%***	**5,260**	***4.3%***	**-43.9%**
Non-controlling interests	(465)	*-0.4%*	494	*0.4%*	-194.1%
Group Net Income	**3,414**	***3.0%***	**4,766**	***3.9%***	**-28.4%**

** EBITDA was impacted by non-recurring costs incurred in the first half of 2020 due to the transition to the MTA, excluding which EBITDA would have amounted to Euro 11.4 million, with an adjusted EBITDA margin of 10.1%.*
*** Pre-Tax Profit (EBT) and financial income (expenses) include income from the Pizza Group business combination, which resulted in a one-off gain of Euro 1.5 million.*

The Group's **consolidated income statement** shows revenues to the amount of Euro 113.6 million as at 30 June 2020, compared to Euro 122.9 million as at 30 June 2019, down by 7.6%. This deterioration was caused by the slowdown following Coronavirus-related closures.

The following table shows a summary of the **revenue breakdown by geographic area** in the first half of 2020 with comparative figures from the first half of 2019:

	30/06/2020	**30/06/2019**
Italy	*18.3%*	*25.3%*
Europe (excluding Italy)	*25.4%*	*30.7%*
North America	*51.9%*	*42.6%*
Rest of the World	*4.4%*	*1.4%*

The geographical area that showed the most marked deterioration in the first half of 2020 was Italy, one of the first countries to be affected by the emergency measures brought in to curb the COVID-19 pandemic, while the best performer was North America.

The 2.5% increase in **personnel expenses** is negligible if we consider the increase in the average number of employees, up from 659 in the first half of 2019 to 789 in the first half of 2020. The unit cost per employee decreased considerably partly due to the Group's use of the government furlough scheme during the COVID-19 pandemic.

Consolidated **EBITDA** amounted to Euro 10.7 million as at 30 June 2020, down by 9.5% on the Euro 11.8 million as at 30 June 2019, with an EBITDA margin of 9.4%, essentially in line with the 9.6% in 1H19.

Adjusted EBITDA came in at Euro 11.4 million, with an adjusted EBITDA margin of 10.1%, an improvement of 0.5% on 30 June 2019, due to translisting costs amounting to Euro 0.7 million in the first half of 2020. There were no non-recurring costs reported as at 30 June 2019.

Amortisation and depreciation amounted to Euro 7.3 million, up by Euro 2.5 million on the Euro 4.8 million as at 30 June 2019. This change is mainly due to an increase in amortisation of intangible assets, which rose from Euro 2.8 million as at 30 June 2019 to Euro 3.8 million as at 30 June 2020, and amortisation of right-of-use lease assets, which were up by Euro 0.8 million on 30 June 2019. EBITDA margin was at 6.4%, compared to 3.9% in the first half of 2019.

Consolidated **EBIT** stood at Euro 3.3 million as at 30 June 2020 against Euro 7 million as at 30 June 2019, with a margin of 2.9% compared to 5.7% the previous year. This deterioration was mainly attributable to amortisation of intangible assets acquired following the external growth undertaken in the six-month period.

Net financial income in the first half benefited from a one-off gain on the Pizza Group business combination amounting to Euro 1.5 million: please refer to the note on Business Combinations in the condensed consolidated interim financial report as at 30 June 2020.

Income taxes for the period amounted to a negative Euro 0.8 million, compared to a negative Euro 1.3 million as at 30 June 2019.

As a result of the above, **Consolidated Net Income** stood at Euro 2.9 million, down on the previous figure of Euro 5.3 million. The net profit margin shrank from 4.3% as at 30 June 2019 to 2.6% as at 30 June 2020.

Non-controlling interests for the period was negative at Euro 0.5 million compared to a positive Euro 0.5 million as at 30 June 2019.

Group Net Income amounted to Euro 3.4 million as at 30 June 2020 compared to Euro 4.8 million as at 30 June 2019.

Seascape and Landscape

The following is a summary of the results of the two divisions as at 30 June 2020 with comparative figures from 30 June 2019.

	30 June 2020			30 June 2019		
Amounts in €/000	**Seascape**	**Landscape**	**Total**	**Seascape**	**Landscape**	**Total**
Revenues	71,400	42,158	113,558	78,512	44,411	122,923
EBITDA	7,130	3,538	10,668	8,870	2,922	11,792
EBIT	4,641	(1,292)	3,349	7,779	(794)	6,985

	30 June 2020			30 June 2019		
% of revenues	**Seascape**	**Landscape**	**Total**	**Seascape**	**Landscape**	**Total**
EBITDA margin	10.0%	8.4%	9.4%	11.3%	6.6%	9.6%
EBIT *margin*	6.5%	-3.1%	2.9%	9.9%	-1.8%	5.7%

Due to the slowdown and closure of production sites in response to the global COVID-19 crisis, the business units suffered the following deterioration in their performances:

- Seascape division*:* -9.1% (Euro 71.4 million as at 30 June 2020, compared to Euro 78.5 million as at 30 June 2019);
- Landscape division: -5.0% (Euro 42.2 million as at 30 June 2020 compared to Euro 44.4 million as at 30 June 2019).

The EBITDA margin of the Seascape division decreased by 1.3% on the first half of 2019. 1% was due to non-recurring translisting costs previously described under the item adjusted EBITDA, and 0.3% on account of the shutdowns in response to the COVID-19 pandemic, particularly in the refitting business.

As for the Landscape division, the EBITDA margin was up by 1.8% thanks to an improvement in the earnings performances of the Building Façades segment and a positive result for the Professional Cooking Equipment segment.

Following the acquisition in May 2020 of Skillmax S.r.l., which supplies and provides high-end turnkey interior furnishing services for boutiques, stores, hotels and public spaces, the Group entered a new segment known as Public Area Interiors.

The following table shows the **revenue breakdown by segment.**

Eur M/ % of total	**Marine Glazing**		**Marine Cooking Equipment**		**Marine Public Areas**		**Total Seascape**	
Half-year as at 30 June 2020	38.6	*54.1%*	16.3	*22.8%*	16.5	*23.1%*	71.4	*100.0%*
Half-year as at 30 June 2019	52.9	*67.3%*	23.8	*30.3%*	1.9	*2.4%*	78.5	*100.0%*
% change	*-27.0%*		*-31.4%*		*767.8%*		*-9.1%*	

Eur M/ % of total	**Building Façades**		**Professional Cooking Equipment**		**Public Area Interiors**		**Total Landscape**	
Half-year as at 30 June 2020	33.7	*79.9%*	7.9	*18.7%*	*0.6*	*1.4%*	42.2	*100.0%*
Half-year as at 30 June 2019	38.5	*86.8%*	5.9	*13.2%*	-	-	44.4	*100.0%*
% change	*-12.6%*		*33.9%*		*0%*		*-5.0%*	

Statement of financial position

The following is the reclassified consolidated statement of financial position as at 30 June 2020 and 31 December 2019.

Reclassified consolidated statement of financial position

Amounts in €/000	**30/06/2020**	**31/12/2019**
Intangible assets	60,362	57,981
of which goodwill	*33,636*	*28,484*
Tangible assets	16,850	12,193
Right-of-use assets	18,975	18,693
Investments in associates and joint ventures	133	83
Non-current financial assets	271	-
Other non-current assets and liabilities	(7,324)	(7,415)
Employee benefits	(3,642)	(2,301)
Net fixed assets	**85,625**	**79,236**
Inventory and payments on account	16,126	11,305
Contract work in progress and advances	17,740	24,503
Trade receivables	63,540	57,921
Trade payables	(39,306)	(47,465)
Provisions for risks and charges	(462)	(344)
Other current assets and liabilities	(28,814)	(20,364)
Net working capital	**28,824**	**25,556**
Net capital employed	**114,449**	**104,791**
Group shareholders' equity	39,232	39,409
Non-controlling interests	8,841	9,194
Net financial position	66,376	56,189
Sources of financing	**114,449**	**104,791**

The change in **net fixed assets**, from Euro 79.2 million as at 31 December 2019 to Euro 85.6 million as at 30 June 2020 was mainly due to the Pizza Group S.r.l. acquisition, as a result of which Euro 3.8 million was recognised as buildings and Euro 0.8 million as intangible assets (customer list). Moreover, during the first half of the year, an amount of Euro 5.1 million was provisionally recognised as goodwill on the acquisition of Skillmax S.r.l.

Net working capital amounted to Euro 28.8 million, up Euro 3.2 million on the Euro 25.6 million as at 31 December 2019. As for the breakdown of net working capital, the item trade receivables was impacted by the delayed issue of work-in-progress reports and consequent invoicing, due to the closures as a result of the COVID-19 pandemic. Meanwhile, in order to ensure continuity and provide support to the production chain, i.e. liquidity to the supply chain, the Group decided to meet payment deadlines with suppliers and therefore trade payables were significantly reduced. The item Other current assets and liabilities increased from Euro 20.4 million as at 31 December 2019 to Euro 28.8 million as at 30 June 2020, due to advance payments from customers, which were not fully absorbed due to the effect of the general slowdown in production activity.

Group shareholders' equity moved from Euro 39.4 million as at 31 December 2019 to Euro 39.2 million as at 30 June 2020, and was therefore essentially in line.

Net financial position stood at Euro 66.4 million, up by Euro 10.2 million on the Euro 56.2 million as at 31 December 2019. The following table shows a detailed breakdown and the evolution of this item.

Net financial position

Consolidated net financial position is composed as follows:

Consolidated net financial position

	Amounts in €/000	**30/06/2020**	**31/12/2019**
A.	Cash	45	29
B.	Bank deposits	41,298	29,399
C.	**Total liquidity (A+B)**	**41,343**	**29,428**
D.	**Current financial assets**	**408**	**1**
E.	Current bank debt	(9,473)	(7,297)
F.	Current portion of long-term debt	(15,740)	(12,763)
G.	Other current financial liabilities	(4,595)	(3,686)
H.	**Current debt (E+F+G)**	**(29,808)**	**(23,746)**
I.	**Current net financial position (C+D+H)**	**11,943**	**5,683**
J.	Non-current bank debt	(42,324)	(31,612)
K.	Other non-current financial liabilities	(16,905)	(13,033)
L.	**Non-current financial position (J+K)**	**(59,229)**	**(44,645)**
M.	**Net financial position (I+L) before IFRS 16**	**(47,286)**	**(38,962)**
N.	**IFRS 16 – Lease – impact**	**(19,090)**	**(17,227)**
	Current portion	(3,374)	(2,734)
	Non-current portion	(15,716)	(14,493)
O.	**Net financial position (M+N IFRS 16 effect)**	**(66,376)**	**(56,189)**

Consolidated net financial position as at 30 June 2020, including the effect of IFRS 16, amounted to Euro 66.4 million, compared to Euro 56.2 million as at 31 December 2019.

As of 31 December 2019, the reporting date of the last annual financial report, financial results were impacted by the consolidation of Pizza Group, Fabbrica Works and Skillmax following the Group's acquisition of the controlling interests in each company, in January 2020 in the case of the former two and May 2020 in the case of the latter.
The increase in consolidated gross debt between 31 December 2019 and 30 June 2020 was due to new loans and financing, as well as an increase in financial liabilities in the form of new leases attributable to the companies acquired in the first half of 2020.
The consolidated net financial position showed an overall increase in net debt between 31 December 2019 and 30 June 2020 on account of investments made by the Group in new acquisitions, as well as the working capital trend, which was affected in the first half of 2020 by some delays with confirmation of work in progress, due to the Covid-19 crisis and consequent delays in billing and payment collection. The Group has taken out new loans as a precautionary measure in order to ensure it has the financial resources required to deal with such delays and in light of its strategic aim to prevent the resulting financial stress from being transferred to the supply chain.

Group net financial position, excluding the effects of IFRS 16, stood at Euro 47.3 million as at 30 June 2020, up from Euro 39 million as at 31 December 2019.

The reclassified consolidated statement of cash flows as at 30 June 2020 and 30 June 2019 is shown below.

Reclassified consolidated statement of cash flows

Amounts in €/000	**30/06/2020**	**30/06/2019**
Cash flows from operating activities	8,296	576
Cash flows from investing activities	(8,601)	(14,420)
Free Cash Flow	**(305)**	**(13,844)**
Cash flows from financing activities	12,194	6,874
Effect of exchange differences on cash and cash equivalents	27	(48)
Cash flows for the period	**11,916**	**(7,018)**
Cash and cash equivalents at the beginning of the period	**29,428**	**24,934**
Cash and cash equivalents at the end of the period	**41,343**	**17,915**

Free cash flow improved from a negative Euro 13.8 million as at 30 June 2019 to a negative Euro 0.3 million as at 30 June 2020. During the first half of the year, cash provided by operating activities readjusted, moving in line with the Group's standard compared to the figure as at 30 June 2019, which was impacted by the effect of working capital absorption relating to refitting orders.

Cash used by investing activities amounted to Euro 8.6 million, of which Euro 5.9 million due to the acquisitions made during the six-month period.

Cash provided (used) by financing activities was at Euro 12.2 million, mainly as a result of the combined effect of new loans granted amounting to Euro 18.2 million, and repayments, at Euro 5.8 million.

Research and Development

Somec Group understands the strategic value of Research and Development to ensure it can continue to offer its clients increasingly efficient and cutting-edge solutions in the future. The projects undertaken during the period involve product and process innovation to improve the performance of ships and buildings, in terms of both energy efficiency and environmental impact.

Human Resources

As at 30 June 2020, the Group's headcount amounted to 768 employees including members of the project management, marketing and sales teams (around 10%), general office staff (roughly 15%), research and development, engineering (approximately 15%) and manufacturing (about 60%) personnel. The headcount grew by an average of 95 between 31 December 2019 and 30 June 2020, an increase of 14%.

Following the acquisition of GI.CO S.p.A. in July 2020, the Somec Group now employs more than 800 people.

Ownership of the Company

As of 30 June 2020, the company Venezia S.p.A. directly owns 75.03% of the share capital of Somec S.p.A. Venezia S.p.A. is a holding company controlled by Oscar Marchetto (74.3%), Giancarlo Corazza (15.7%) and Alessandro Zanchetta (10.0%).

The remaining 24.97% is float, accounting for 1,723,100 of a total of 6,900,000 Somec Group ordinary shares.

Somec S.p.A., in compliance with requirements for its transition to the MTA, in July 2020 increased its free float to 25% through the sale of 11,600 shares by the parent company, Venezia S.p.A. On the reporting date, Oscar Marchetto owns a direct shareholding of 0.14%, in addition to an indirect stake held via Venezia S.p.A.

Related party and intra Group transactions

During the period, Somec Group conducted business with parent companies and their subsidiaries. The transactions essentially include the provision of services, rental payments on real estate, and loans and financing. The transactions are part of day-to-day operations and are conducted on an arm's length basis, i.e. at conditions that are or would be applied between two independent parties on an open market. For details on outstanding receivables / payables as at 30 June 2020 and income and expenses from related party transactions in the first half of 2020, please see the relevant section of the notes to the financial statements.

Disclosure of risks and uncertainties

As part of its activities, the Group is exposed to risks and uncertainties deriving from external factors related to the general or specific macroeconomic context of its business sectors, as well as to risks resulting from strategic decisions and internal management risks. The main business risks identified by the Group are described below.

Operational risks

COVID-19 (Coronavirus) related risk
Since December 2019, the world has witnessed the rapid spread of the Coronavirus, which originated in some regions of China and subsequently proliferated across the globe. The governments of most countries, including Italy, have adopted restrictive measures in an effort to curb the further spread of the pandemic. These measures include restrictions on travel and movement of people as well as the closure of manufacturing plants and offices. In compliance with these restrictive measures, the Group suspended operations at its Italian production sites between 25 March and 27 April 2020. Shipyards in Italy and France were also shut down. During this time, activity at US production sites and overseas shipyards continued, albeit at reduced capacity. There is no way to predict how the pandemic will evolve, and future measures imposed in various countries in an effort to contain the virus, potential temporary shutdowns at Italian or overseas production sites, and restrictions for Group employees on travel to other countries or shipyards could reduce productivity at the local level, thus causing a slowdown in the Group's operations with potential delays in order execution. Similarly, the operations of the Group's suppliers and clients may also be limited or disrupted.
In order to limit this risk, when the news of Covid-19 first broke, the Group immediately appointed an internal Task Force to manage the crisis and promptly took decisive action and implemented strict procedures in order to safeguard the health of its employees and the business.

Operational complexity risks
Due to the inherent operational complexity of the building construction and shipbuilding industries, and as a result of geographical diversification and expansion along external lines, the Group is exposed to the risk of not being able to:
(a) adequately supervise the project management activities;
(b) adequately manage the operational, logistical and organizational complexity of the Group.
If the Group proves unable to implement adequate project management activities via procedures and actions aimed at sufficiently or effectively controlling the proper completion and efficiency of its construction processes and accurate financial reporting, or to adequately manage the Group synergies, transactions with counterparties, or the efficient distribution of workloads according to production capacity (plants and workforce) available, from time to time, at the production sites, it could record a decrease in revenues and profitability with a possibly negative impact on its assets and liabilities and economic and financial situation.
To manage such complex processes, the Group has put into place procedures and activity plans aimed at managing and monitoring the implementation of each individual project throughout its lifetime. In order to safeguard the integration processes, we have established continuous communication channels between the Group entities, at times with the provision of resources by the controlling company. Furthermore, the Group has adopted a flexible production organisation in order to respond efficiently to fluctuations in shipbuilding market demand in the various business areas. The Group implements actions aimed at improving production and design processes to strengthen competitiveness and increase productivity.

Contract management risks
The contracts managed by the Group are largely multi-year contracts featuring a set consideration, and any changes in the price must be agreed with the client. At the time of signing the contract, price determination must necessarily be based on a careful assessment of the costs of raw materials, machinery, components, subcontracts, and all the expenses incurred in connection with the performance of the contract (including labor costs and overheads). Upward cost variations not corresponding to a parallel price increase may lead to a reduction in the margins of the relevant contracts. For this reason, the Group carefully evaluates each upward change through a detailed analysis of the Project Reviews and a constant monitoring of the contract progress.

Financial risks

The Group is not significantly exposed to financial risks.
The main risk, following the significant growth in the business of the US-based subsidiaries is the risk of currency-based transactions. The risk of interest rate fluctuations (interest rate risk) is still present, while the liquidity risk, also in the wake of the stock exchange listing operation, is very limited. There are no significant credit risks as the financial counterparties are represented by prime customers considered solvent by the market. We confirm that, in the choice of its financing and investment transactions, the Group has adopted prudential criteria aimed at mitigating risks and that no speculative operations have been implemented. The main types of financial risk are set out below, with the relative comments on the degree of significance of the exposure to the different risk categories.

Exchange rate risks
The Group is exposed to exchange rate risk on account of its US subsidiaries, which conduct their business in US dollars. While monitoring this risk very closely, the Group does not currently deem it necessary to adopt specific management or hedging strategies given that the risk is mainly currency translation-related, i.e. determined exclusively by the conversion of the US dollar-denominated assets and liabilities of US subsidiaries into Euro.

Interest rate risk
Interest rate risk management aims to ensure a balanced debt structure, minimising the cost of lending over time. The Group is exposed to the risk that significant fluctuations in interest rates may occur, and that the policies adopted to neutralise these fluctuations prove insufficient. Fluctuations in interest rates affect the market value of the company's financial assets and liabilities and the level of its net financial charges, given that some of the loans are subscribed by the Group at variable rates. The Parent Company has contracted medium / long-term loans with variable Euribor-linked rates, regarding which it has carried out hedging transactions. Details of existing loans and derivative transactions are reported in the Notes to the financial statements.

Credit risks
A credit risk is the probable financial loss generated by the failure by a third party to fulfil its payment obligation towards the Group. The Group is not particularly exposed to the risk that its clients may delay or default on their payment obligations, according to the agreed terms and procedures, as it operates in the Seascape sector with the main shipbuilders and ship owners of unquestionable solvency, and in the Landscape sector in an American financial system that provides for payment on view, if not in advance. For business purposes, policies have also been adopted to ensure the solvency of its clients and limit exposure to the credit risk vis-à-vis each single client through activities that include customer assessment and monitoring. Periodically, all receivables undergo an analytical assessment, for each client, proceeding to their write-down in the event of their possible impairment.

Liquidity risks
Liquidity risk is defined as the risk that the Group encounters difficulties in obtaining the funds it needs to meet the obligations arising out of its financial liabilities. A prudential management of the liquidity risk is pursued by monitoring the Group's cash flows, financing needs and liquidity, with the aim of guaranteeing a sound management of the financial resources through the appropriate management of any surplus liquid resources or resources that may be liquidated and the subscription of suitable credit lines

Business Outlook

In July, the Group published its Prospectus for the transition to Borsa Italiana's main regulated market. The document includes the 2020 targets set out in the 2020-22 Business Plan approved by the Board of Directors on 8 June 2020. These targets incorporate the estimated impact of Covid-19 on the 2020 financial year.

Thanks to the Group's performance in the first half of the year, the general sentiment, steady new order intake, clear visibility granted by the backlog, our geographical and business diversification and fully autonomous local supply chains, we believe the overall business outlook is particularly positive for the second half of 2020, unless a potential upsurge in the pandemic hampers the Group's operations due to shutdowns, travel restrictions or supply disruptions.

The Group confirms its forecasts for 2020, which include consolidated revenues of approximately 228 million Euro, down by 9% on 2019 (251 million Euro) and consolidated 2020 EBITDA of around 20.7 million Euro (net of listing costs), with an EBITDA margin of 9.1%, essentially in line with 2019 (roughly 9.7%).

Estimates for the year 2021 point to a full sales volume recovery and a return to pre-Covid growth rates.

Somec S.p.A.

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2020

Consolidated Financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in €/000	**Note**	**30/06/2020**	**31/12/2019**
ASSETS			
Non-current assets			
Property, plant and equipment	1	16,850	12,194
Intangible assets	2	60,362	57,981
Right-of-use assets	4	18,975	18,694
Investments in associates and joint ventures	5	133	83
Non-current financial assets		271	1
Other non-current assets		44	-
Deferred tax assets	6	1,262	1,248
Total non-current assets		**97,897**	**90,201**
Current assets			
Inventory and contract assets	7	33,866	35,808
Trade receivables	8	63,540	57,921
Other receivables	9	7,789	7,549
Tax receivables	10	2,231	2,037
Other current financial assets		408	498
Cash and cash equivalents and short-term deposits	11	41,343	29,428
Total current assets		**149,177**	**133,241**
TOTAL ASSETS		**247,074**	**223,442**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Group net equity			
Share capital	12	6,900	6,900
Other reserves	12	22,107	20,250
Retained earnings	12	10,225	12,259
Total Group net equity		**39,232**	**39,409**
Non-controlling interests	12	8,841	9,194
Total net equity		**48,073**	**48,603**
Non-current liabilities			
Loans and financing	13	42,324	31,612
Other non-current financial liabilities	14	32,621	27,241
Other non-current liabilities		55	-
Provisions for risks and charges	15	462	344
Net defined-benefit obligations	16	3,642	2,301
Deferred tax liabilities	6	8,575	8,664
Total non-current liabilities		**87,679**	**70,162**
Current liabilities			
Trade payables	17	39,306	47,465
Other current liabilities	18	6,685	7,255
Contract work in progress and customer advances	19	29,455	22,233
Loans and financing	13	25,213	20,059
Other current financial liabilities	14	7,969	6,705
Income tax liabilities	20	2,694	960
Total current liabilities		**111,322**	**104,677**
Total liabilities		**199,001**	**174,839**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**247,074**	**223,442**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in €/000)	Note	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Revenues from contracts with customers	21	113,022	122,414
Other revenues and income	22	536	509
Revenues		**113,558**	**122,923**
Raw materials and consumables		(48,405)	(56,310)
Employee benefit expenses	23	(19,289)	(18,815)
Depreciation, amortisation and other write-downs	24	(7,319)	(4,807)
Other operating costs	25	(35,196)	(36,006)
Operating profit (EBIT)		**3,349**	**6,985**
Financial expenses	26	(952)	(727)
Financial income	26	47	137
Other income	27	1,276	134
Income from associates and joint ventures	28	49	28
Profit/(loss) before tax (EBT)		**3,769**	**6,557**
Income taxes	29	(820)	(1,297)
Profit/(loss) for the period		**2,949**	**5,260**
Non-controlling interests		(465)	494
Group net income		**3,414**	**4,766**
Earnings per share (in Euro)	30	**0.49**	**0.69**
Diluted earnings per share (in Euro)	30	**0.49**	**0.69**
Other comprehensive income/(losses) that may be subsequently reclassified within profit/(loss) for the period (net of tax):			
Exchange gains/(losses) arising on translation of foreign subsidiaries' financial statements		74	(31)
Net gains/(losses) on cash flow hedges		(115)	(106)
Total other comprehensive income/(losses) that may be subsequently reclassified within profit/(loss), net of tax:		**(41)**	**(138)**
Other comprehensive income/(losses) that will not be subsequently reclassified within profit/(loss) for the period:		-	-
Gains/(losses) from remeasurement of defined benefit plans		(17)	-
Total other consolidated comprehensive income that will not be reclassified to net income/(losses), net of tax:		**(17)**	**-**
Total other comprehensive income/(losses), net of tax:		**(59)**	**(138)**
Total income/(loss) net of tax		**2,890**	**5,122**
Attributable to:			
Equity holders of the parent		**3,274**	**4,754**
Non-controlling interests		**(383)**	**368**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in €/000	**Note**	**Half-year as at 30 June 2020**	**Half-year as at 30 June 2019**
Net income for the period		3,414	4,766
Reconciliation of net income to operating cash flow:			
Net income from non-controlling interests		(465)	494
Income taxes		820	1,297
Amortisation and depreciation		7,312	4,807
Change in defined benefit obligations		363	17
Net interest	26	905	(562)
Net exchange rate changes	27	181	(62)
Change in fair value of financial derivatives	12	115	106
Income (loss) for the period from associates and joint ventures	5	(49)	-
(Capital gains)/Capital losses on sale of assets		(1)	-
Change in operating assets and liabilities:			
Decrease/(Increase) in inventory and contract assets		5,676	(5,163)
Increase/(Decrease) in contract work in progress and customer advances		7,221	(1,819)
Decrease/(Increase) in trade receivables		(2,748)	(8,504)
Decrease/(Increase) in other receivables		(20)	6,057
Increase/(Decrease) in trade payables		(10,576)	2,879
Decrease/(Increase) in other current assets and liabilities		(1,060)	(3,697)
Net change in provisions for risks and charges		2	(34)
Income tax payments		(496)	(629)
Other gains on acquisitions	27	(1,457)	-
Interest received/(paid)		(843)	624
Cash flows generated (used) from operating activities (A)		**8,296**	**576**
Investing activities:			
Investments in property, plant and equipment		(1,294)	(2,878)
Investments in intangible assets		(207)	(3,574)
Investments in subsidiaries and associates		-	-
Change in current and non-current financial assets		(1)	449
Realisable value of property, plant and equipment		-	69
Settlement of price adjustment on business combination		(1,196)	-
Acquisition of subsidiaries net of cash acquired		(5,903)	(8,486)
Cash flows generated (used) from investing activities (B)		**(8,601)**	**(14,420)**
Financing activity:			
Loans and financing granted		18,205	15,297
(Repayments)		(5,785)	(7,275)
Lease liability payments	4	(2,134)	(1,254)
Increase/(Decrease) in short term bank loans		1,908	4,500
Increase/(Decrease) in parent company loans		-	1,250
Settlement of payment for equity investments		-	(1,159)
Dividends paid to parent company shareholders		-	(3,450)
Dividends paid to minority shareholders		-	(1,129)
Sale of minority interest		-	95
Cash flows generated (used) from financing activities (C)		**12,194**	**6,874**
Increase (decrease) in cash and cash equivalents (A+B+C)		**11,888**	**(6,970)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**29,428**	**24,934**
Net effect of exchange differences		27	(48)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**41,343**	**17,915**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in €/000	Note	Share Capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings (loss)	Net income for the period	Group net equity	Minority interest capital and reserves	Minority net income (loss)	Minority interest	Total net equity
01/01/2020	**12**	**6,900**	**18,173**	**1,380**	**696**	**4,367**	**7,892**	**39,409**	**7,665**	**1,529**	**9,194**	**48,603**
2019 profit allocation												
- other reserves					1,867	6,025	(7,892)		1,529	(1,529)		
- dividends						(3,450)		(3,450)				(3,450)
Change in minority scope of consolid.									30		30	30
Other comprehensive income (OCI)	12											
- Defined benefit plans					(18)			(18)				(18)
- Change in currency translation reserve					(7)			(7)	81		81	74
- Change in CFH reserve					(115)			(115)				(115)
Net income for the period							3,414	3,414		(465)	(465)	2,949
30/06/2020		**6,900**	**18,173**	**1,380**	**2,423**	**6,942**	**3,414**	**39,232**	**9,305**	**(465)**	**8,841**	**48,073**

Amounts in €/000	Share Capital	Share premium reserve	Legal reserve	Other reserves	Retained earnings (loss)	Net income for the period	Group net equity	Minority interest capital and reserves	Minority net income (loss)	Minority interest	Total net equity
01/01/2019	**6,900**	**19,233**	**1,140**	**(1,676)**	**1,284**	**8,080**	**34,960**	**9,307**	**862**	**10,169**	**45,130**
2018 profit allocation											
- other reserves			240	1,169	6,671	(8,080)					
- dividends					(3,450)		(3,450)				(3,450)
Fabbrica allocations								(1,129)		(1,129)	(1,129)
Inoxtrend minority interest								95		95	95
Somec Shanghai line-by-line consolid.					(2)		(2)				(2)
Reclassification Hysea minorities					(34)		(34)	34		34	
Allocation for real estate spin-off.		(1,060)		1,060							
Other comprehensive income (OCI)											
- Defined benefit plans											
- Change in currency translation reserve				95			95	(126)		(126)	(31)
- Change in CFH reserve				(106)			(106)				(106)
Net income for the period						4,766	4,766		494	494	5,260
30/06/2019	**6,900**	**18,173**	**1,380**	**541**	**4,468**	**4,766**	**36,228**	**8,181**	**1,357**	**9,538**	**45,766**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT AS AT 30 JUNE 2020

GENERAL INFORMATION

Publication of the condensed Consolidated Interim Financial Report of Somec S.p.A. and its subsidiaries ("Somec Group") for the period ended 30 June 2020 ("Consolidated Interim Report") has been authorised by the Board of Directors, which approved the financial statements on 28th September 2020.

Somec Group specialises in the business of design and execution of major turnkey marine or land-based projects involving glass building façades, special architectural projects, public area interiors, and professional cooking equipment. As described in more detail in the Interim Directors' Report, the Group operates through two business units: Seascape, dedicated to marine operations, and Landscape, dedicated to land-based projects.

Somec S.p.A. (hereinafter, "Somec" or the "Parent Company") is a public limited company that is incorporated and domiciled in Italy and is part of the Fondaco Group. Fondaco S.r.l. controls Somec S.p.A. indirectly via Venezia S.p.A. Fondaco S.r.l. and Venezia S.p.A. are not involved in the management and coordination of the company.

On 4 August 2020, after Borsa Italiana S.p.A. authorised the listing of Somec ordinary shares and the Prospectus was approved by the Italian Stock Market Regulator ("CONSOB") via notice no. 0744933/20, Somec S.p.A. ordinary shares began trading on Borsa Italiana's main equities market (Mercato Telematico Azionario - MTA). The shares were concurrently excluded from trading on AIM Italia (Mercato Alternativo del Capitale), a multilateral trading facility of Borsa Italiana S.p.A., on which Somec S.p.A. shares had traded since 10 May 2018.

SIGNIFICANT EVENTS DURING THE FIRST HALF OF 2020

Acquisition of Pizza Group S.r.l.

15 January 2020, Somec S.p.A. finalised the purchase of 100% of Pizza Group S.r.l. shares. The company designs, manufactures and distributes machines, ovens, and equipment for pizzerias, following an investment agreement signed on 4 December 2019. Pizza Group designs, manufactures and distributes machines, ovens, and equipment for pizzerias: the division already included the Inoxtrend and Primax brands, which specialise in the design and production of professional ovens and blast chillers, completing the Group's offering in the Professional Cooking Equipment segment and the catering and marine catering sectors.

Incorporation of Fabbrica Works S.r.l.

On 27 January 2020, Somec announced the launch of its European Building Façades operations, after acquiring a stake in Fabbrica Works S.r.l. through its subsidiary Fabbrica LLC, a company already present in the United States in the Landscape - Building Façades segment. Fabbrica Works S.r.l. is based in San Biagio di Callalta (Treviso) and was founded thanks to the contribution of operating assets and long-standing experience in the design and production of glass panels used in building façades. The purpose of the Fabbrica Works acquisition is to enable the Group to oversee all stages of production during Building Façades projects and allow Fabbrica LLC to have a commercial presence in the Building Façades segment through its European branch. Fabbrica Works S.r.l., following Fabbrica LLC's investment of Euro 70,000, is 70% owned by Fabbrica LLC, which in turn is 50.9% controlled by Somec S.p.A., with 30% in the hands of the entrepreneur Gian Franco De Vidi, who holds the position of CEO.

Acquisition of Skillmax S.r.l.

After having announced on 19 March 2020 that it had signed an agreement for the purchase of 60% of Skillmax S.r.l. (hereinafter Skillmax), on 6 May 2020 Somec S.p.A. finalised the acquisition of the shares. As a result of this transaction, Somec Group has entered the market of custom-made production and installation of high-end interior furnishing projects intended mainly for the luxury retail and luxury hospitality market, thus expanding the offer of the Landscape division into the interiors segment at the top line level. The strategic potential also includes the possibility for synergies with the Marine Public Areas business in the Seascape division; Skillmax will be able to bolster and expand the Group's production capacity by supporting the operations of the subsidiary TSI, which makes interiors for communal areas on cruise ships.

BASIS OF PREPARATION

The Consolidated Interim Financial Report has been prepared in accordance with IAS 34 - Interim Reporting.

The Consolidated Interim Financial Report have been prepared on a going concern basis, since the Directors have verified that there are no financial, operating or other types of indicators that might highlight significant uncertainties in the Group’s ability to meet its obligations in the foreseeable future and particularly within the next 12 months.

The Consolidated Interim Financial Report does not include all disclosures reported in the annual consolidated financial statements. Therefore, it is advisable to read the Consolidated Interim Financial Report in conjunction with the consolidated financial statements as at and for the year ended 31 December 2019. The Somec Group half-year financial statements provide an interim picture of its condition.

The Consolidated Interim Financial Report is composed of:

- a consolidated statement of financial position which shows current and non-current assets and liabilities on the basis of their realisation or settlement during the course of ordinary business operations within twelve months of the end of the previous financial year;
- a statement of the profit (loss) for the period and other items of the consolidated statement of comprehensive income, which shows costs and revenues classified according to their nature, a method that most accurately represents Group's sector of business:
- a consolidated statement of cash flows prepared using the indirect method of accounting;
- a consolidated statement of changes in shareholders' equity;
- explanatory notes containing all disclosures required by law and according to IAS 34, fairly presented in a clear and comprehensible manner.

The financial statements include aggregated items and subtotals presented in the consolidated financial report as at 31 December 2019.

The Consolidated Interim Financial Statements include comparative figures from the interim period of the previous year (ended 30 June 2019) for the statement of profit/(loss) for the period and other components of the statement of comprehensive income for the period, the statement of changes in shareholders' equity and the statement of cash flow. The comparative figures were prepared using the same accounting standards as those applied in the consolidated annual financial report as at and for the year ended 31 December 2019, the Group's first set of IFRS-compliant financial statements: please see the explanatory note on the first-time adoption of IFRS included in the 2019 consolidated financial statements, which shows the main impacts and includes the reconciliations required under IFRS 1.
The statement of financial position shown for comparison purposes refers to the items of the consolidated financial statements as at 31 December 2019.

The reporting currency of the Consolidated Interim Financial Report is the Euro, the functional currency adopted by the Parent Company in accordance with IAS 1. All amounts are shown in thousands of Euro, including those presented in the explanatory notes, unless otherwise stated.

The Consolidated Interim Financial Report is subject to a limited audit performed by the independent auditing firm, EY S.p.A., which audits the accounts of the Parent Company and its main subsidiaries.

Please see the Interim Directors’ Report for further information on the Group's financial condition, its operating performance and income, both as a whole and in the various sectors of business. Details on costs, revenues and investments, in addition to information on the main events in the first half of 2020 and the business outlook are provided.

SCOPE OF CONSOLIDATION

The Consolidated Interim Financial Report includes the parent company Somec S.p.A. and the following directly or indirectly-owned subsidiaries:

Company	Registered office	% ownership	Currency	Share Capital
Directly-owned subsidiaries:				(currency unit)
Hysea S.r.l.	San Vendemiano (TV)	90%	Euro	100,000
Sotrade Sro	Piestany (Slovakia)	100%	Euro	92,380
Navaltech LLC	Miami (USA)	100%	USD	1,000
Seatech UK Ltd	Southampton (UK)	100%	GBP	100
Oxin S.r.l.	Codognè (TV)	100%	Euro	100,000
Inoxtrend S.r.l.	Santa Lucia di Piave (TV)	90%	Euro	122,222
Primax S.r.l.	San Vito al Tagliamento (PN)	60%*	Euro	1,030,000
Somec Shanghai Co., Ltd	Shanghai (China)	100%	CNY	527,486
Total Solution Interiors S.r.l.	Cantù (CO)	60%**	Euro	100,000
3.0 Partners USA Inc.	New York (USA)	100%	USD	10,000
Pizza Group S.r.l.	San Vito al Tagliamento (PN)	100%	Euro	12,000
Skillmax S.r.l.	San Biagio di Callalta (TV)	60%**	Euro	500,000
Indirectly-owned subsidiaries and associates:				
Fabbrica LLC	Delaware (USA)	50.90%	USD	9,935,407
Atelier de Facades Montreal Inc.	Montreal (Canada)	50.90%	CAD	-
Oxtrade Contract S.r.l.	Tg - Mures (Romania)	60%	RON	100
Total Solution Interiors LLC	Miami (USA)	60%	USD	-
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	35.63%	Euro	100,000

* The Primax acquisition includes "Put and Call" options on the minority stake, which are exercisable as of 2021. Minority interests are not recognised in the consolidated income statement in light of the Put and Call options in place.

** The acquisitions of Skillmax S.r.l. and Total Solution Interiors S.r.l. both provide for put and call options on the remaining 40%, which are exercisable as of 2024 (up until the end of 2025) and 2022 (up until the end of 2024) respectively. Minority interests are not recognised in the consolidated income statement in light of the Put and Call options in place.

Compared to 31 December 2019, the scope of consolidation now includes the company Pizza Group S.r.l., control of which was acquired by the Parent Company on 15 January 2020 and which is consolidated on a line-by-line basis over the entire period. Fabbrica Works S.r.l. which is indirectly controlled through Fabbrica LLC as of January 2020, was also consolidated over the entire period.
The acquisition of control of Skillmax S.r.l. in May 2020 is recognised in the accounts as of the acquisition date.

Conversion of financial statements in foreign currency

On the reporting date, the assets and liabilities of the foreign subsidiaries have been converted into the Somec Group's reporting currency (Euro) at the exchange rate on the same date, and their income statements have been converted using the average exchange rate for the period, which is deemed as representative of the exchange rates at which the related transactions were carried out.

Exchange rates applied to determine the Euro-denominated value of the items of the subsidiaries Navaltech LLC, Seatech UK Ltd, Fabbrica LLC, Atelier de Facades Montreal Inc., Oxtrade

Contract S.r.l., Somec Shanghai Co., Ltd and Total Solution Interiors LLC, are as follows:

for the income statement (average exchange rates for the period):

Currency	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Pound Sterling	0.8746	0.8736
US dollar	1.1020	1.1298
Canadian Dollar	1.5033	1.5067
New Romanian Leu	4.8173	4.7420
Chinese Renminbi	7.7509	-

for the statement of financial position (exchange rates at the end of the period):

Currency	30/06/2020	31/12/2019
Pound Sterling	0.9124	0.8508
US dollar	1.1198	1.1234
Canadian Dollar	1.5324	1.4598
New Romanian Leu	4.8397	4.7830
Chinese Renminbi	7.9219	7.8205

ACCOUNTING STANDARDS (REFERENCE) AND ACCOUNTING STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET IN FORCE

The same accounting standards were used to prepare the Consolidated Interim Financial Report as for the consolidated financial statements as at and for the year ended 31 December 2019 (to which the reader is invited to refer), with the exception of the new standards and amendments in force as of 1 January 2020. The Group has not adopted any new standards, interpretations or amendments that are not yet effective.

Several changes and interpretations are effective for the first time in 2020, but did not affect the Group's Consolidated Interim Financial Report.

Amendments to IFRS 3: Definition of a business

The amendments to IFRS 3 clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; furthermore, it clarified that a business can exist without including all the inputs and processes needed to create an output. These changes had no impact on the Group's Consolidated Interim Financial Report or the business combinations carried out during the period.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest rate benchmark reform

Amendments to IFRS 9 and IAS 39 Financial instruments: Recognition and Measurement provide a number of solutions that apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform creates uncertainty about the timing and/or amount of the benchmark-based cash flows of the hedged item or hedging instrument. These amendments had no significant impact on the Group's Consolidated Interim Financial Report despite the interest rate swap contracts in place.

Amendments to IAS 1 and IAS 8: Definition of material

The amendments provide a new definition of materiality which states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".
Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.
Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.
These amendments had no impact on the Consolidated Interim Financial Report and are not expected to have an impact on the Group in the future.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts override the concepts or requirements in any standard. The primary purpose of the Conceptual Framework is to assist the IASB in the development of future standards, assist preparers to develop consistent accounting policies when no standard applies to a particular transaction or event and to assist all parties to understand and interpret the standards.
The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Consolidated Interim Financial Report.

IASB amendment of IFRS 16 for Covid 19
On 28 May 2020, the IASB issued an amendment to IFRS 16 - Leases "COVID-19 related rent concessions" to allow lessees not to account for COVID-19 rent concessions that reduce lease payments due on or before 30 June 2021 as lease modifications, and recognised directly in the income statement. The amendment is effective as of 1 June 2020. The amendment has yet to be endorsed by the European Union but its early application would not have had a material impact.

DISCRETIONARY MEASUREMENTS AND SIGNIFICANT ACCOUNTING ESTIMATES

When preparing the financial statements, Directors are required to make discretionary assessments, estimates and assumptions that influence the reported amounts of revenue, costs, assets and liabilities and related information, as well as contingent liabilities. Estimation uncertainty risks causing outcomes that require material adjustments to the carrying amounts of assets and/or liabilities in future years.
For a description of the main discretionary measurements concerning the Group's operating segments, the categories most affected by the use of estimates and discretionary judgements and for which changes in the conditions underlying the assumptions used may have a significant impact on financial results, please refer to the Consolidated Financial Statements as at and for the year ended 31 December 2019.

Impact of Covid-19
In compliance with the measures introduced by the Italian government to tackle the COVID-19 crisis, Somec ordered the closure of some of its Italian sites between 25 March and 27 April 2020. During the time that its Italian sites were shut down, the Company put the affected employees on furlough using the government retention scheme. Operations at shipyards in Italy and France were also suspended. During this time, activity at US production sites and overseas shipyards continued, albeit at reduced capacity. Moreover, Group employees faced difficulties travelling to other countries or between shipyards. The shutdowns and subsequent gradual resumption of operations at the Group's Italian offices and Italian and French shipyards led to a partial reduction in productivity at the local level.
During the first half of the year, work at French and Italian shipyards was rescheduled, thus causing potential delays in the delivery of new cruise ships.
In the Seascape division (Marine Glazing in particular), as a result of the closure of production sites imposed by the authorities, some production scheduled for 2020 has been postponed, and delivery and expiry dates renegotiated with customers: due to the aforementioned restrictions, refitting activity in particular has been hit hardest by the impacts on the Group's operations.
When preparing the Consolidated Interim Financial Report, the Directors verified the existence of impairment indicators for the Group's main CGUs, partly in consideration of the potential impacts of COVID-19 on their activities. At the Somec Group level, the Company's market cap as at 30 June 2020 remains higher than the consolidated shareholders' equity on the same date and the Group's sizeable backlog increased by Euro 168 million, from Euro 552 million as at 30 June 2019 to Euro 720 million as at 30 June 2020.
As required for its admission to trading on the MTA, on 8 June 2020 the Parent Company approved the Group's 2020-2022 Business Plan. The Business Plan includes the Directors' estimates and targets based on preliminary analyses and evaluations of the potential negative effects and impacts of the COVID-19 crisis, while taking into account, among other things, the closure of its production sites during March-April 2020, the performance in the first few months of the year, the likely changes in demand for the Group during the rest of 2020, the suspension of refitting activities, as well as forecasts on the rescheduling of deliveries of new ships as a result

of the impact of COVID-19 on shipyards. Given that in the case of some CGUs the level of cash flow differed from that used in the impairment tests performed for the preparation of the Consolidated Financial Statements as at 31 December 2019, the test was adjusted as at 30 June 2020 for those CGUs that presented potential impairment. For further details, please see Note 3 Impairment Test.

BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY SHAREHOLDINGS

As previously mentioned, Somec Group acquired 100% of the share capital of Pizza Group S.r.l. on 15 January 2020. The fair values of the identifiable assets and liabilities on the acquisition date are as follows:

(Amounts in €'000)	**Acquisition-date fair value**
Non-current assets	**6,082**
Property, plant and equipment	4,769
Intangible assets	831
Right-of-use assets	393
Non-current financial assets	2
Deferred tax assets	88
Current assets	**6,070**
Inventory and contract assets	2,739
Trade receivables	1,700
Other receivables	167
Tax receivables	83
Other current financial assets	17
Cash and cash equivalents and short-term deposits	1,364
Total assets	**12,152**
Non-current liabilities	**(2,841)**
Loans and financing	(796)
Other non-current financial liabilities	(274)
Provisions for risks and charges	(71)
Net defined benefit obligations	(730)
Deferred tax liabilities	(969)
Current liabilities	**(2,104)**
Trade payables	(1,344)
Other current liabilities	(297)
Loans and financing	(238)
Other current financial liabilities	(152)
Income tax liabilities	(72)
Total liabilities	**(4,945)**
Total net assets at fair value	**7,207**
Consideration paid	**5,750**
Gain on business combination	**1,457**

The consideration was agreed by both parties at Euro 5,750 thousand. The first instalment of Euro 5,250 thousand was paid on the closing date, whereas the remainder will be recognised as a deferred component of the consideration over 24 months from the closing date, or once the conditions stipulated by the usual guarantees used for such transactions have been met.

The amount of net cash used by the Group to date for the acquisition of Pizza Group S.r.l. is as follows:

(Amounts in €/000)	
Net cash acquired	1,364
Transaction costs	(66)
Consideration already paid	(5,250)
Net cash used	**(3,952)**

The following was identified as a result of the transaction:

- a latent capital gain on real estate property (the company headquarters) amounting to Euro 2,658 thousand before tax (Euro 742 thousand), calculated following an independent audit;
- an intangible asset with a finite useful life that is not recognised in the financial statements, i.e. relationships with clients (or customer lists) to the amount of Euro 793 thousand before tax (Euro 221 thousand), to which the Directors have decided to attribute a useful life of five years;
- the effects of applying international accounting standards, mainly attributable to the identification of right-of-use assets and related financial liabilities for the application of IFRS 16, as well as the effects of IAS 19 on employee benefits (severance indemnity reserve).

After comparing the total consideration for the business combination and the fair value of the acquired assets and liabilities, the Euro 1,457 thousand gain was recognised in the income statement (as goodwill). Although this positive item did not stem from atypical or unusual transactions as it is in line with the growth strategy outlined by the Directors in their strategic guidelines for the Professional Cooking Equipment segment, it should be considered as non-recurring income. The price allocation for the business combination is provisional. The subsidiary was included in the condensed consolidated interim financial statements for the entire six-month period ended 30 June 2020.

On 6 May 2020, Somec S.p.A. completed the acquisition of 60% of Skillmax S.r.l., for a provisional amount of Euro 2,600 thousand. In addition to the provisional price, a further instalment of Euro 355 thousand, defined following an audit to determine some of the required indicators (2019 normalized EBITDA for 2019 and Net Debt on the acquisition date), was also paid. According to the agreement, the remaining 40% of shares are allocated to put and call options, which are exercisable between 1 May 2024 and 30 April 2025. The valuation criteria are based on the average normalised EBITDA during the two years before options are exercised, the present value of which is estimated at Euro 3,561 thousand.

(Amounts in €/000)	
Provisional price payment for 60%	2,600
Additional payment	355
Payable for purchase of minority interests (Put & call option)	3,561
Total consideration	**6,516**

On the reporting date, the Directors have yet to complete the fair value measurement of the net assets acquired (so-called Purchase price allocation). The company’s net book value on the acquisition date of Euro 1,295 thousand, was adjusted preliminarily to Euro 1,384 thousand to account for the impact of international accounting standards. Consequently, the business combination led to the provisional recognition of goodwill to the amount of Euro 5,132 thousand, calculated preliminarily as the difference between the total consideration of the business combination and the net book value of the assets and liabilities acquired, which Directors deem to be recoverable in light of the estimated returns expected on the investment. The Consolidated Interim Financial Report includes the net income generated by Skillmax on the acquisition date.

OPERATING SEGMENT REPORTING

During the first half of 2020, no changes were made to the structure of operating segments as represented in the Consolidated Financial Statements as at 31 December 2019. Following the business combinations completed in the first half of 2020, amounts were recognised for the subsidiaries Pizza Group S.r.l. and Fabbrica Works S.r.l., which were consolidated on a line-by-line basis for the entire six month period, and Skillmax S.r.l., which was consolidated from the acquisition date (6 May 2020), within the Landscape operating sector.

The following tables show the revenues and net income of the Group's operating segments for the six-month periods ended 30 June 2020 and 2019:

Results by operating segment as at 30 June 2020

	Seascape	Landscape	Segments total	Adjustments and eliminations	Consolidated
Revenues from contracts with customers	71,015	42,010	113,025	(3)	113,022
Other revenues and income	385	151	536	-	536
Intra-segment revenues	4,258	1,703	5,962	(5,962)	-
Revenues	**75,659**	**43,865**	**119,523**	**(5,965)**	**113,559**
Raw materials and consumables	(27,783)	(20,624)	(48,408)	3	(48,405)
Employee benefit expense	(10,398)	(8,891)	(19,289)	-	(19,289)
Depreciation, amortisation and other write-downs	(2,489)	(4,830)	(7,319)	-	(7,319)
Other operating costs	(26,093)	(9,103)	(35,196)	-	(35,196)
Income from associates and joint ventures	49	-	49	-	49
Adjustments and eliminations	(4,258)	(1,703)	(5,962)	-	-
Segment net income	**4,687**	**(1,288)**	**3,399**	**370**	**3,769**

Results by operating segment as at 30 June 2019

	Seascape	Landscape	Segments total	Adjustments and eliminations	Consolidated
Revenues from contracts with customers	78,093	44,336	122,428	(14)	122,414
Other revenues and income	434	75	509	-	509
Intra-segment revenues	4,119	1,323	5,442	(5,442)	-
Revenues	**82,645**	**45,734**	**128,379**	**(5,456)**	**122,923**
Raw materials and consumables	(32,200)	(24,110)	(56,310)	-	(56,310)
Employee benefit expense	(9,871)	(8,944)	(18,815)	-	(18,815)
Depreciation, amortisation and other write-downs	(1,091)	(3,716)	(4,807)	-	(4,807)
Other operating costs	(27,571)	(8,449)	(36,020)	(14)	(36,006)
Adjustments and eliminations	(4,119)	(1,323)	(5,442)	-	-
Segment net income	**7,793**	**(808)**	**6,985**	**(428)**	**6,557**

Assets and liabilities by operating segment as at 30 June 2020 and 31 December 2019

The following table shows the Group's assets and liabilities by operating segment as at 30 June 2020 and 31 December 2019:

	Seascape	Landscape	Segments total	Adjustments and eliminations	Consolidated
Segment assets					
as at 30/06/2020	133,030	106,675	239,705	7,370	**247,074**
as at 31/12/2019	146,320	73,837	220,157	3,285	**223,442**
Segment liabilities					
as at 30/06/2020	(127,271)	(59,953)	(187,224)	(11,777)	**(199,001)**
as at 31/12/2019	(119,923)	(45,293)	(165,216)	(9,623)	**(174,839)**

The following table shows revenues by geographical area as at 30 June 2020 and 30 June 2019:

Revenues	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Italy	20,762	31,118
EU	28,788	37,773
Non-EU	64,008	54,032
Total	**113,558**	**122,923**

The following table shows clients whose revenues (turnover and change in inventory) account for over 10% of Group revenues and income on the reporting dates:

	Half-year as at 30 June 2020	%	Half-year as at 30 June 2019	%
Total Revenues	**113,558**	**100.0%**	**122,923**	**100.0%**
Client 1	*22,955*	*20.2%*	*34,245*	*27.9%*

Financial income and charges, tax, gains and losses on fair value adjustments of some financial assets and liabilities are not allocated to individual segments given that the underlying assets are managed at the Group level. For the purpose of operating segment disclosure, these items are included under adjustments and eliminations.

Reconciliation of income	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Segment income	**3,399**	**6,985**
Financial income	47	165
Financial expenses	(953)	(727)
Other revenues	1,276	134
Net effect of eliminations between segments	-	-
Income before tax	**3,769**	**6,557**

Operating segment seasonality

The "Seascape" operating segment is active in the sector of design, customised production and installation of high spec glass enclosures for new cruise ships, the design and installation of made-to-measure catering solutions for cruise ships and fit-out work on communal areas of cruise ships. It also includes revenues from refitting services, i.e. conversion, upgrading, replacement and repair of glass enclosures, public areas and, to a lesser extent, catering areas on existing cruise ships. Demand for refitting services is affected by seasonality and declines during the summer

months.
The "Landscape" operating segment services include ad-hoc design, customised production and installation of façades and custom made, high quality, innovative external fittings for office, retail, government and public buildings, as well as production of professional cooking equipment. This sector is not affected by seasonality effects, considering that the turnover is related entirely to the existing order backlog.
This information is given to provide a better understanding of the results, however management concluded that the Group's business is not "highly seasonal", as required by IAS 34.

FINANCIAL HIGHLIGHTS

Note 1: Property, plant and equipment

The following table shows the net book value of property, plant and equipment as at 30 June 2020:

	30/06/2020	31/12/2019
Land and buildings	4,036	270
Plant and equipment	6,679	5,820
Industrial and commercial equipment	939	1,004
Other assets	1,523	1,518
Unscheduled maintenance of leased assets	3,403	2,810
Payments on account and assets under construction	270	771
Total Property, plant and equipment	**16,850**	**12,194**

The increase in the item Land and Buildings is the result of the consolidation of Pizza Group S.r.l., acquired in January 2020, for a net book value of Euro 3,775 thousand as at 30 June 2020.
The increase in the item Plant and equipment includes Euro 428 thousand from business combinations during the period.
The change in the item Unscheduled maintenance of leased assets is mainly due to the completion of extension work on the production site of the subsidiary Fabbrica LLC amounting to Euro 906 thousand.

Note 2: Intangible assets

The following table shows the net book value of intangible assets as at 30 June 2020:

	30/06/2020	31/12/2019
Goodwill	33,636	28,483
Development costs	575	666
Patents	11,326	12,955
Concessions, licences, trademarks and similar rights	821	770
Other intangible assets	13,966	15,035
Payments on account and assets under construction	38	71
Total Intangible assets	**60,362**	**57,981**

Investments in the first half of the year amounting to Euro 208 thousand mainly refer to investments in IT systems with a long-term useful life.

Goodwill

Goodwill acquired through business combinations carried out by Somec Group in the first half of 2020 and previous years amounted to a total of Euro 33,636 thousand as at 30 June 2020 (Euro 28,484 thousand as at 31 December 2019).

In order to determine the recoverable value, this goodwill has been allocated to the related cash generating units (CGUs) of the individual Group companies, with the exception of goodwill for the Professional Cooking Equipment CGUs (Inoxtrend and Primax), for which the Directors evaluate whether their performance benefits from the synergies generated by the business combination and consequently test the goodwill on the group of CGUs.

The breakdown of goodwill of the CGUs in the two periods is as follows:

	Fabbrica	Cooking Professional Equipment	Oxin	TSI	Hysea	Skillmax	Total
30 June 2020	6,020	5,614	5,685	11,108	77	5,132	**33,636**
31 December 2019	6,000	5,614	5,685	11,108	76	-	**28,484**

The only change during the period is attributable to the provisional price allocation for the Skillmax business combination, details of which are included under "Business combinations" in the explanatory notes. Considering that the business combination was carried out recently, the Directors identified no impairment indicators for the CGU Skillmax. For the other CGUs and identification of impairment indicators, please refer to Note 3.

Development costs

Development costs, amounting to Euro 575 thousand at 30 June 2020, refer entirely to the production of new products in the industrial oven sector.

Patents

The item "Patents", amounting to Euro 11,326 thousand as at 30 June 2020 (Euro 12,955 thousand as at 31 December 2019) includes, before the related deferred tax effect, allocation of part of the consideration paid for the purchase of Factory LLC to the estimated fair value of the know-how, understood as the set of skills and ability required to successfully execute complex construction projects.
The same intangible asset was also recognised for the purchase price allocation of Primax acquisition, which took place at the end of 2018, and for the acquisition of Total Solution Interiors S.r.l. The net book value of the know-how acquired stood at a total of Euro 11,323 thousand as at 30 June 2020 (Euro 12,906 at 31 December 2019).
The change in know-how is summarised in the following table:

	Know-how
Net Book Value as at 31/12/2019	**12,906**
Amortisation	(1,615)
Exchange differences	32
Net Book Value as at 30/06/2020	**11,323**

In order to identify the value of unpatented technology (know-how) from the business combinations of Fabbrica, TSI and Primax which took place in previous years, the Directors applied a method that computes the discounted present value of royalties to be paid to license holders for specific technology (“relief from royalty method”). This method is based on the assumption that the value of the asset is lies in the hypothetical royalty payments that would be saved by owning the asset rather than licensing it. Using the aforementioned approach, a royalty rate was identified to measure the value of know-how, determined by taking into account information obtained from the management of the companies, as well as by analysing the results of a panel of license agreements for similar technologies. The royalty rate was applied to the estimated revenue included in the business plan, considering an appropriate maintenance cost. The amounts obtained were discounted to the net present value using an appropriate discount rate, while also taking into account the theoretical tax benefit attributable to the amortisation of the asset (TAB). A 5-year time frame was considered to calculate the net present value of royalties (ten years for Primax), in line with the useful life attributed by the Directors to the value of know-how. On the reporting date, the Directors have identified no indication of impairment of know-how.

Other intangible assets

The item "Other intangible assets", amounting to Euro 13,967 thousand as at 30 June 2020 (Euro 15,035 thousand as at 31 December 2019), in addition to the amount recognised as backlog and customer relationships following the acquisitions of Fabbrica LLC and Total Solution Interiors S.r.l., also includes the amount recognised as customer relationships as part of the process of allocating the goodwill from the recent acquisition of Pizza Group S.r.l..
Based on this analysis, the amount recognised in the accounts as at 30 June 2020 stands at Euro 714 thousand, excluding amortisation during the period. This allocation is to be considered as provisional rather than final in accordance with the relevant accounting standards.
As at 30 June 2020, the net book value of the intangible asset "Order Backlog" amounted to Euro 1,261 thousand and the NBV of "Customer relationships" amounted to Euro 12,545 thousand.

Changes in both items are summarised in the following table:

	Customer relationships	Order Backlog
Net Book Value as at 31/12/2019	**12,531**	**2,363**
Pizza Group business combinations	793	-
Amortisation	(814)	(1,102)
Exchange differences	35	-
Net Book Value as at 30/06/2020	**12,545**	**1,261**

To calculate the value of backlog and relationships with customers from Fabbrica and TSI business combinations, the Directors applied a method that computes the net present value of the excess earnings attributable to the specific intangible asset (so-called multi period excess earnings method – MEEM). This method is based on the assumption that the value of an asset is equal to the present value of the incremental net income attributable only to the asset, or net of the return on all other assets required to use the said asset. The other assets considered (contributory assets) were know-how, described in the previous note, net working capital, investments in fixed assets (other than know-how) and assembled workforce (AWF).
As for relationships with customers, considering the ten-year useful life awarded by the Directors to this intangible asset, the excess earnings that can be deduced from the business plans were discounted to NPV, using estimates obtained starting from the last year of explicit cashflow, assuming a perpetual growth rate of 1% per year. As regards backlog, the Directors applied the aforementioned method to revenue estimates included in the business plan, considering a useful life in line with the contracts acquired.
On the reporting date, the Directors have identified no impairment of relationships with customers or backlog.

Note 3: Impairment test

On 8 June 2020, as required for admission to the MTA, the Directors of the Parent Company approved the Group Business Plan for 2020-2022. The Business Plan includes the Directors' estimates and targets based on analyses and evaluations of the potential negative effects and impacts of the COVID-19 crisis. In the case of certain CGUs, the Group Business Plan identified different levels of cash flow from those used in the impairment tests performed during the preparation of the consolidated financial statements as at 31 December 2019: impairment tests for these CGUs were therefore adjusted based on new financial estimates.

Impairment test - CGU Fabbrica
The CGU Fabbrica was established by the company Fabbrica LLC (controlled by the subholding 3.0 Partners USA Inc.) and its Canadian subsidiary Atelier de Facades Montreal Inc., which operate in the market of custom design, made-to-measure production and installation of façades and external fittings.
To measure the return on capital invested in the CGU, the expected future cash flows in the 2020-2022 plan were discounted using a weighted average cost of capital (WACC) of 9.13%.
In addition to the explicit cash flows included in the plan, a terminal value (perpetual income) was also considered, taking Nopat in the last year of the plan as the reference cash flow and using a growth rate (g) of 1%.
A sensitivity analysis was performed to establish the increase in the discount rate (WACC) and the percentage reduction in EBITDA (over the course of the entire plan period, including the terminal value) beyond which an impairment loss would arise.
The analyses showed that the recoverable value is well above the book value of the CGU Fabbrica, including the allocated goodwill. More specifically, there are no impairment losses if we consider an increase in the WACC of 200 basis points or a 25% reduction in EBITDA compared to the estimates included in the business plan prepared by the Directors.

Impairment test - CGU Professional Cooking Equipment
The CGU Professional Cooking Equipment includes the companies Inoxtrend S.r.l., Primax S.r.l. and Pizza Group S.r.l., which produce professional equipment for the catering segment.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2020-2022 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 7.70%.
Cash flows beyond the plan period were determined using 2022 Nopat as the reference cash flow

and applying a growth rate (g) of 1%.
A sensitivity analysis was performed to establish the increase in the discount rate (WACC) and the percentage reduction in EBITDA (over the entire course of the plan, including the terminal value) beyond which an impairment loss would arise.
The analyses showed that the recoverable value is higher than the book value of the Professional Cooking Equipment CGU, including allocated goodwill. In this case, however, a WACC of 9.3% would bring the value in use of the Professional Cooking Equipment CGUs in line with their book value, including goodwill. Alternatively, a reduction in EBITDA would not generate an impairment loss up to a level of approximately -16% on the estimates currently considered by the Directors in the business plan.

Impairment test - Oxin CGU

The CGU Oxin was founded by the company Oxin S.r.l., active in the segment of turnkey marine catering solutions.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2020-2022 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 7.70%.
Cash flows beyond the plan period were determined using 2022 Nopat as the reference cash flow and applying a growth rate (g) of 1%.
A sensitivity analysis was performed to establish the increase in the discount rate (WACC) and the percentage reduction in EBITDA (over the course of the entire plan period, including the terminal value) beyond which an impairment loss would arise.
The analyses showed that the recoverable value is well above the book value of the CGU Oxin, including the allocated goodwill.

Impairment test - TSI CGU

The CGU TSI was founded by the company Total Solution Interiors S.r.l. and its subsidiary Total Solution Interiors LLC, which fit out public area interiors in the marine sector.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2020-2022 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 7.77%.
Cash flows beyond the plan period were determined using 2022 Nopat as the reference cash flow and applying a growth rate (g) of 1%.
A sensitivity analysis was performed to establish the increase in the discount rate (WACC) and the percentage reduction in EBITDA (over the course of the entire plan period, including the terminal value) beyond which an impairment loss would arise.
The analyses showed that the recoverable value is well above the carrying amount of the CGU TSI, including allocated goodwill. More specifically, there would be no impairment loss if the WACC were increased by 200 basis points or EBITDA were reduced by 25% compared to the forecasts included in the business plans drawn up by the Directors.

Note 4: Right-of-use assets

The following table shows the net book value of right-of-use assets as at 30 June 2020.

	30/06/2020	31/12/2019
Land and buildings	16,514	16,534
Plant and equipment	1,324	961
Vehicles	365	396
Other assets	772	803
Total Right-of-use assets	**18,975**	**18,694**

The lease and rental agreements currently in place do not allow for variable payments that are index linked. On the reporting date, the Group has no agreements in place with guarantees on the residual value or commitments for contracts not yet in place. The Group has no sub-let agreements in place. The Group did not carry out any sale and leaseback transactions during the period.

The following table shows the amounts recognised in the statement of consolidated income:

	30/06/2020	30/06/2019
Depreciation of right-of-use assets	1,901	1,203
Interest payable on leases	252	166
Expenses - short term leases	827	919
Total recognised in the income statement	**2,980**	**2,288**

Total cash flows used for leases recognised in compliance with IFRS 16 amounted to Euro 2,134 thousand as at 30 June 2020 (Euro 2,955 thousand as at 31 December 2019).

Note 5: Investments in associates and joint ventures

The following table shows the changes in Investments in associates during the first half of 2020.

	Investments in associates	Total
Balance as at 31/12/2019	**83**	**83**
Write-ups /(Write-downs)	49	49
Balance as at 30/06/2020	**133**	**133**

The investment in Squadra S.r.l. was written up by Euro 49 thousand after applying the equity method of accounting.

Note 6: Deferred tax assets and liabilities

Changes in deferred tax assets during the period are as follows:

Balance as at 31/12/2019	**1,248**
Business combinations	113
Changes in scope of consolidation	50
Recognised in the income statement	(89)
Other changes	(60)
Balance as at 30/06/2020	**1,262**

Changes in deferred tax liabilities during the period are as follows:

Balance as at 31/12/2019	**8,664**
Business combinations	22
Changes in scope of consolidation	4
Recognised in the income statement	(96)
Other changes	(19)
Balance as at 30/06/2020	**8,575**

Note 7: Inventory and contract assets

The item is composed as follows:

	30/06/2020	31/12/2019
Raw materials and consumables	8,529	4,952
Work in process and semi-finished goods	4,263	3,511
Contract work in progress	17,740	24,191
Finished goods and goods for resale	2,639	1,890
Advances and payments on account to suppliers	695	1,264
Total Inventory and contract assets	**33,866**	**35,808**

The change in the item Raw materials and consumables compared to the previous period is partly attributable to an increase in the procurement of raw materials in order to allow activity to continue at overseas shipyards during the lockdown period, and in part to the consolidation of Pizza Group S.r.l., which took place during the period.
The decrease in contract work in progress is mainly due to the reduction in volumes in the first half of the year following the closure of shipyards and production sites on account of COVID-19.

Raw materials and consumables are essentially composed of profiles, steel sheets, and glass used during the manufacturing process and are recognised at the weighted average purchase cost.

Contract work in progress refers to orders normally lasting more than one year, in progress at the end of the financial year. The item includes work in progress, the value of which is higher than the amount billed to the client. Work in progress is determined by the costs incurred plus recognised margins, net of any expected losses.
The net amount of contract assets and liabilities relating to orders are shown in the statement of financial position, i.e. the amount owed by clients for contract work in progress is recognised as an asset, under the item Contract assets (when it exceeds the related advances received), whereas advances received on contract work in progress are recorded as liabilities under the item Liabilities for contract work in progress and customer advances (when they exceed the associated amount owed by clients). At the end of the period, the Group accurately presented the net balances for contract assets and for liabilities for contract work in progress and, where necessary, referring also to the values attributable to the most recently acquired subsidiaries, restated these amounts and the comparative figures, which had no economic impact on the Group's net financial position.

The item Finished goods includes the Euro 1,500 thousand net book value of an industrial building located in Moriago della Battaglia (TV) belonging to the subsidiary Hysea S.r.l. that is destined for sale.
The book value of the property, amounting to Euro 3,048 thousand, is adjusted by a bad debt provision of Euro 1,548 thousand in order to align its value with the realisable value.
The increase in this item is due to the consolidation of Pizza Group S.r.l. during the period.

The item Advances and payments on account to suppliers amounting to Euro 695 thousand, refers to advance payments to suppliers for the purchase of raw materials and supplies that have yet to be delivered.

Inventory is shown net of the related provision amounting to Euro 1,972 thousand.

Note 8: Trade receivables

Trade receivables amounting to Euro 63,540 thousand as at 30 June 2020 (Euro 57,921 thousand as at 31 December 2019) originate from the billing of completed orders and the status of those still in progress on the reporting date, as well as normal sales transactions.

The increase in the item of Euro 5,619 thousand compared to the previous year is mainly attributable to the business combinations completed during the period (amounting to Euro 2,784 thousand).

The breakdown of gross accounts receivable by expiry date as at 30 June 2020 is as follows:

	Not yet expired	**Expired 0 - 90 days**	**Expired by 90 - 180 days**	**Expired by more than 180 days**	**Total**
Gross book value of trade receivables as at 30 June 2020	46,662	12,978	4,058	882	**64,580**
Gross book value of trade receivables as at 31 December 2019	50,630	6,999	508	580	**58,717**

Trade receivables are recognised net of the related bad debt provision, which represents the estimated reduction in the value of doubtful debts, such as those subject to legal disputes, and judicial and extra-judicial proceedings due to insolvency of debtors. The amount of the allowance and the changes in the first half of 2020 are shown below:

Balance as at 31/12/2019	**796**
Business combinations	264
Other changes	(20)
Balance as at 30/06/2020	**1,040**

Note 9: Other receivables

Other receivables include the following:

	30/06/2020	31/12/2019
Indirect tax receivables	3,957	4,978
Other receivables	1,867	1,098
Advance payments to suppliers	1,803	1,298
Down payments	162	175
Total Other receivables	**7,789**	**7,549**

The item Indirect tax receivables amounting to Euro 3,957 thousand (Euro 4,978 thousand as at 31 December 2019) mainly refers to a VAT credit. The sizeable amount of the credit is due to the fact that some Group companies are unable to charge VAT on sales, which prevents them from fully reclaiming VAT paid on purchases. It is standard practice to apply for a partial rebate.

Note 10: Tax receivables

The item includes the following:

	30/06/2020	31/12/2019
Corporation tax receivable	235	347
Regional business tax receivable	343	123
Foreign tax credit	1,573	1,542
Other income tax receivables	80	25
Total Tax receivables	**2,231**	**2,037**

The item Foreign tax credits mainly includes credits for taxes paid outside Italy, referring in particular to foreign branches through which Somec operates at international shipyards.

Note 11: Cash and cash equivalents and short-term deposits

Cash and cash equivalents are broken down as follows:

	30/06/2020	31/12/2019
Current bank accounts and post office deposits	41,302	29,399
Cash-in-hand	41	29
Total Cash and cash equivalents and short-term deposits	**41,343**	**29,428**

Cash and cash equivalents at the end of the period refer to the balance of current accounts held with various banks.

Note 12: Shareholders' equity

Details of consolidated shareholders’ equity are shown in the following table:

	30/06/2020	31/12/2019
Share capital	6,900	6,900
Share premium reserve	18,173	18,173
Legal reserve	1,380	1,380
IFRS first-time adoption reserve	(152)	(152)
Cash flow hedge reserve	(327)	(216)
Currency translation reserve	405	759
Other reserves	2,497	306
Retained earnings (loss)	6,942	4,367
Income from Parent company	3,414	7,892
Group net equity	**39,232**	**39,409**
Minority interest capital and reserves	9,306	7,665
Income from minorities	(465)	1,529
Minority interest	**8,841**	**9,194**
Total net equity	**48,073**	**48,603**

The share capital (fully paid-in) amounts to Euro 6,000 thousand as at 30 June 2020, and is composed of 6,900,000 shares of no par value.
The share premium reserve is recognised following the share capital increase that took place at the time the stock was listed the AIM Italia market in April 2018.

The IFRS first-time adoption reserve was established on the date of transition to the international accounting standards of the consolidated financial statements (1 January 2018), including all changes introduced with respect to Italian accounting standards.
The cash flow hedge reserve includes the change in the effective hedging of derivative instruments measured at fair value.

Minority shareholders' equity is almost entirely attributable to the minority shareholders of Fabbrica LLC.

Net gains (losses) included in the other components of the statement of comprehensive income are shown below:

	Other comprehensive income components for the first half of 2020	Other comprehensive income components for the first half of 2019
Exchange differences on translation of foreign operations	74	(31)
Effective portion of gains/(losses) on cash flow hedge instruments	(115)	(106)
Gains/(losses) on remeasurement of defined benefit plans	(17)	-
Total Other components of net comprehensive income	**(59)**	**(138)**

Other reserves mainly comprise: i) an extraordinary reserve amounting to Euro 3,083 thousand and capital contribution reserve amounting to Euro 272 thousand; ii) reserve for unrealised exchange gains of the Parent Company, at a negative Euro 173 thousand.

Note 13: Loans and financing

The item is composed as follows:

	30/06/2020	31/12/2019
Non-current loans and financing:		
Non-current repayments on medium/long-term loans	42,324	31,612
Total Non-current loans and financing	**42,324**	**31,612**
Current loans and financing:		
Instalments of medium/long term loans falling due within one year	15,740	12,763
Other loans payable	2,206	2,116
Overdrafts/factoring	7,267	5,181
Total Current loans and financing	**25,213**	**20,059**
Total Loans and financing	**67,537**	**51,672**

The increase in this item is mainly due to new medium and long-term loans, most of which attributable to the Parent Company.
The item other loans payable refers to non-recourse factoring agreements with the factoring company Ifitalia.

Some medium-long-term loan contracts include covenants to be calculated annually based on the results reported in the consolidated financial statements.

Note 14: Other financial liabilities

The item includes the following:

	30/06/2020	31/12/2019
Other non-current financial liabilities:		
Non-current lease liabilities	15,716	14,991
Derivative liabilities	436	285
Strike price of options on purchase of non-controlling interest	15,684	11,855
Earn out payment for controlling interest	-	111
Payables for equity investments	763	-
Other loans payable	22	-
Other Non-current financial liabilities	**32,621**	**27,241**
Other current financial liabilities:		
Current lease liabilities	3,374	3,741
Payables for equity investments	1,117	1,806
Earn out payment for controlling interest	-	1,157
Other financial liabilities	3,478	-
Total Other current financial liabilities	**7,969**	**6,705**
Total Other financial liabilities	**40,590**	**33,946**

Lease liabilities
Lease liabilities refer to the present value of lease payments due, in accordance with the provisions of IFRS 16.

Derivative liabilities
Derivative financial liabilities to the amount of Euro 436 thousand as at 30 June 2020 (Euro 285 thousand as at 31 December 2019) reflect the fair value measurement of derivative instruments outstanding on the reporting date. The Group has entered into Interest Rate Swap contracts aimed at hedging against interest rate risk stemming from some of its medium/long-term loans.

Options on purchase of non-controlling interest
This item reflects the *fair value* of the options to Primax S.r.l. minority shareholders (Euro 2.676 thousand) and Total Solution Interiors S.r.l. (Euro 9,447 thousand), both exercisable as of 2022, and the fair value of the options to the minority shareholders of Skillmax S.r.l. (Euro 3.561 thousand), which are exercisable as of 2024.

Payables for equity investments
Payables for equity investments refers to the difference between the final price, set in the early months of 2020, and the provisional price already paid for the acquisition of control of Total Solution Interiors S.r.l., amounting to Euro 1,025 thousand, and the residual amount payable for the purchase of the shares of both Pizza Group S.r.l. (Euro 500 thousand) and Skillmax S.r.l. (Euro 355 thousand).

Other financial liabilities
The item includes the amount payable to shareholders in the form of dividends of Euro 3,450 thousand.

Note 15: Provisions for risks and charges

The item Provisions for risks and charges, amounting to Euro 462 thousand (Euro 344 thousand as at 31 December 2019), is mainly composed of the provision for project efficiency variances to the amount of Euro 377 thousand and a Euro 39 thousand product warranty provision.

The changes in the item during the first half of 2020 are as follows:

Balance as at 31/12/2019	**344**
Business combinations	118
Use of provisions	-
Provisions	-
Balance as at 30/06/2020	**462**

Note 16: Net defined benefit obligations

The item refers to severance indemnity reserve (TFR), changes in which during the first half of 2020 were as follows:

Balance as at 01/01/2020	**2,301**
Business combinations	760
Changes in scope of consolidation	258
Provisions	900
Interest	6
Other changes	(147)
Actuarial (gains)/losses	23
Indemnities paid and advances	(459)
Balance as at 30/06/2020	**3,642**

As at 30 June 2020, there are no other types of pension plans that qualify as defined benefit plan in places. The amount stated in the accounts is subject to actuarial calculations using the projected unit credit method, at an interest rate that reflects the market yield of securities with maturity dates in line with the expected maturity of the debt.
More specifically, the assumptions were as follows:

	30/06/2020	31/12/2019
Economic assumptions		
Increase in cost of living	1.20%	1.20%
Discount rate	0.74%	0.77%
Rate of increase in TFR	2.40%	2.40%
Demographic assumptions		
Probability of death	Disability and Death Probability Tables published by Italian General Accounting Office	Disability and Death Probability Tables published by Italian General Accounting Office
Probability of disability	National Social Security Institute (INPS) tables by age and sex	National Social Security Institute (INPS) tables by age and sex
Probability of resignation	5.00%	5.00%
Probability of advance on severance indemnity	2.00%	2.00%

Note 17: Trade payables

Trade payables amounted to Euro 39,306 thousand as at 30 June 2020, compared to Euro 47,465 thousand as at 31 December 2019. This Euro 8,159 thousand reduction is mainly due to a slowdown in activity at sites and shipyards as a result of the COVID-19 pandemic.
Trade payables are due within 12 months, do not bear interest and are normally settled within between 30 and 120 days.

Note 18: Other current liabilities

The item is composed as follows:

	30/06/2020	31/12/2019
Payables to parent company	-	45
Payables to associated companies	94	32
Payables to parent company subsidiaries	95	177
Social security and pension fund liabilities	1,396	2,194
Deferred employee compensation liabilities	3,388	2,540
Payables to directors and statutory auditors	203	154
Other liabilities	1,446	2,001
Accrued expenses and deferred income	63	112
Total Other current liabilities	**6,685**	**7,255**

The item Payables to associated companies refers to amounts payable to Squadra S.r.l.
Payables to parent company subsidiaries refer entirely to the real estate company Vis S.r.l.

Social security and pension fund liabilities mainly include amounts payable by Group companies and employees to the National Social Security Institute, or other entities, in relation to salaries for the month of June and contributions based on assessments at the end of the period.
The item Deferred compensation liabilities reflects the effects of provisions for unused holiday leave and deferred compensation as at 30 June 2020.
The item Other liabilities includes Euro 508 thousand of tax liabilities.

Note 19: Contract work in progress and customer advances

This item, amounting to Euro 29,455 thousand as at 30 June 2020 (Euro 22,233 thousand as at 31 December 2019) includes work in progress of a lower value than the amount billed to the client. Work in progress is determined by the costs incurred plus recognised margins, net of any expected losses.
The item Customer advances refers to orders not in progress on the reporting date.

Note 20: Income tax liabilities

Taxation, to the amount of Euro 2,694 thousand (Euro 960 thousand as at 31 December 2019) consists of current tax liabilities, net of advance tax payments and residual tax liabilities from the previous year.

KEY INCOME STATEMENT ITEMS

Note 21: Revenues from contracts with customers

Revenues from contracts with customers amounted to Euro 113,022 thousand as at 30 June 2020 (Euro 122,414 thousand as at 30 June 2019), broken down as follows by operating segment:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Seascape division revenues	71,015	78,078
Landscape division revenues	42,007	44,336
Total Revenues from contracts with customers	**113,022**	**122,414**

Note 22: Other revenues and income

Other revenues and income are broken down as follows:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Grants related to income	15	6
Insurance claim settlements	14	252
Other income	283	210
Contingent assets	224	41
Total Other revenues and income	**536**	**509**

Note 23: Employee benefit expenses

Employee benefit expense is broken down as follows:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Wages and salaries	15,172	15,157
Social security costs	3,310	3,078
Defined benefit obligations	698	580
Other personnel expenses	109	-
Total Employee benefit expenses	**19,289**	**18,815**

Personnel expenses represent total costs incurred for employees, including wages and salaries, social security and pension contributions and severance indemnity reserve.

The average number of employees per category as at 30 June 2020 and 30 June 2019 is shown in the following table:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Directors	12	11
Managers	18	5
Office staff	344	298
Operational workers	415	345
Total	**789**	**659**

Note 24: Depreciation, amortisation and other write-downs

Amortisation, depreciation and write-downs in the first half of 2020 and 2019 are as follows:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Depreciation of property, plant and equipment	1,598	872
Amortisation of intangible assets	3,813	2,830
Depreciation of right-of-use assets	1,901	1,105
Provision for bad debt	7	-
Total Depreciation, amortisation and other write-downs	**7,319**	**4,807**

The increase during the period is mainly attributable to the amortisation of the goodwill from the business combinations, considering both the transactions completed in the first half of 2020 and those in the second half of 2019. The increase in depreciation of property, plant and equipment is mainly attributable to a change in the scope of consolidation.

Note 25: Other operating costs

Other operating costs are composed as follows:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Outsourced manufacturing	6,747	7,330
Installation	12,798	14,112
Transport	1,469	2,472
Director and auditor remuneration	811	545
Other expenses	13,371	11,547
Total Other operating costs	**35,196**	**36,006**

The item includes non-recurring costs amounting to Euro 752 thousand in the form of translisting costs incurred in the first half of 2020.

Note 26: Financial income and expenses

The item includes the following:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Interest payable on bank loans and borrowings	353	316
Interest payable on lease liabilities	252	150
Interest payable on parent company loans	-	31
Other financial charges	142	60
Interest payable on loans	205	170
Total Financial expenses	**952**	**727**
Interest receivable on current bank accounts	-	109
Financial discounts receivable	-	12
Other interest receivable	-	16
Non-recurring income	47	-
Total Financial income	**47**	**137**
Total Financial income and expenses	**(905)**	**(590)**

Financial income and charges were negative at Euro 905 thousand (negative at Euro 590 thousand as at 30 June 2019). The difference from one year to the next is mainly attributable to an increase in financial lease liabilities.

Note 27: Other income

Other income is composed of net exchange rate gains and losses, which was negative for Euro 181 thousand as at 30 June 2020. The item also includes the capital gain on the Pizza Group S.r.l. acquisition amounting to Euro 1,457 thousand, reflecting the difference between the total consideration paid and the fair value of the net assets acquired: please see the section on Business combinations for further details. Although not reported as an unusual or atypical transaction, this gain should be considered as non-recurring income.

Note 28: Income from associates and joint ventures

The item, amounting to Euro 49 thousand as at 30 June 2020, includes the effect of using the equity method of accounting for the associated company, Squadra S.r.l.

Note 29: Income taxes

Income taxes recognised in the income statement are as follows:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Current tax:		
- IRES	1,536	291
- IRAP	186	1,405
- Other current tax	-	4
Income tax prior years	112	92
Deferred tax liabilities	(1,104)	(650)
Deferred tax assets	90	154
Total Income taxes	**820**	**1,297**

Note 30: Earnings per share

Earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding.
Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted by the effect of dilutive shares.
The net income and number of ordinary shares used to calculate the basic and diluted earnings per share, determined according to the methodology required by IAS 33, are shown below:

	Half-year as at 30 June 2020	Half-year as at 30 June 2019
Earnings/(Loss) per share (Euro)	0.49	0.69
Diluted earnings/(Loss) per share (Euro)	0.49	0.69
Weighted average number of outstanding shares:		
- basic	6,900,000	6,900,000
- diluted	6,900,000	6,900,000

Fair value measurement and hierarchy

The following table shows a comparison by individual class between the book value and the fair value of the financial instruments held by the Group, excluding those whose book value is roughly in line with the fair value:

	30/06/2020		31/12/2019	
	Book value	**Fair value**	**Book value**	**Fair value**
Interest Rate Swaps:				
- Assets	-	-	-	-
- Liabilities	(436)	(436)	(285)	(285)
Call options on acquisition of non-controlling interest	(15,684)	(15,684)	(11,855)	(11,855)
Earn out on acquisition of controlling interest	-	-	(1,268)	(1,268)
Total	**(16,120)**	**(16,120)**	**(13,408)**	**(13,408)**

The Directors established that the fair values of cash and cash equivalents and short-term deposits, trade receivables and payables, current financial assets and liabilities and other current liabilities are approximately in line with their book values given the short-term maturity of these instruments.
As for financial instruments recognised at fair value, according to IFRS 7 these amounts are classified on the basis of a hierarchy that reflects the materiality of the *inputs* used to determine the fair value. The three levels are as follows:

- Level 1 - quoted prices for identical assets or liabilities in an active market;
- Level 2 - inputs other than the quoted prices referred to in the previous point, which are observable directly (prices) or indirectly (derived from prices) on the market;
- Level 3 - inputs that are not based on observable market data.

It is worth noting that all assets and liabilities measured at fair value as at 30 June 2020 can be classified as level 2, with the exception of the options for the purchase of minority interests, which can be classified as level 3 assets.
Moreover, during the first half of 2020 no assets were transferred between Levels 1, 2 and 3.

RELATED-PARTY TRANSACTIONS

Pursuant to IAS 24, the Group's related parties are defined as follows: associated undertakings, members of the Board of Directors, Statutory Auditors, key management personnel and their relatives or companies attributable to them.
The Group conducts business with the parent company Venezia S.p.A., affiliated companies and other related parties. The transactions are carried out on an arm's length basis, taking into account the characteristics of the goods and services provided.

The related party transactions conducted in the first half of 2020 are summarised in the following tables:

Statement of financial position

	Trade receivables	Other receivables	Trade payables	Other current financial liabilities	Other current liabilities
2.0 Partners LLC	-	-	-	(8)	-
ArtSerf S.p.A.	83	-	(300)	-	-
Edim S.r.l.	-	-	-	(240)	-
GEA.IM S.r.l.	-	-	-	(1,653)	-
La.Mec. Lavorazioni Meccaniche S.r.l.	-	-	(40)	-	-
MS Studio Concept Inc.	-	-	-	(256)	-
Sinertech S.r.l.	-	243	-	(1,055)	-
Squadra S.r.l.	-	-	(94)	-	-
Venezia S.p.A.	5	-	-	-	-
Vis S.r.l.	-	-	(95)	(3,739)	-
Board of Directors	-	-	-	-	(142)
Key management personnel	-	-	-	-	(31)
Total	**88**	**243**	**(529)**	**(6,951)**	**(173)**

Other current financial liabilities mainly include lease liabilities relating to rental agreements on real estate properties owned by related companies.

Income statement

	Revenues from contracts with customers	Raw materials and consumables	Employee benefit expense	Other operating costs	Financial expenses
2.0 Partners LLC	-	-	-	-	29
ArtSerf S.p.A.	(26)	560	-	-	-
La.Mec. Lavorazioni Meccaniche S.r.l.	-	137	-	-	-
Sinertech S.r.l.	(350)	-	-	-	-
Squadra S.r.l.	-	-	-	254	-
Vis S.r.l.	(150)	-	-	-	-
Board of Directors	-	-	-	494	-
Key management personnel	-	-	143	-	-
Total	**(526)**	**697**	**143**	**748**	**29**

COMMITMENTS AND RISKS

Commitments and guarantees not reported on the statement of financial position are shown in the following table:

	30/06/2020	31/12/2019
Contract sureties	187,639	188,792
Other guarantees	224,008	229,990
Real guarantees	100	100
Total	**411,747**	**418,882**

Contract sureties are issued by banks to third parties on behalf of some Group companies as a guarantee of performance of contractual obligations relating to orders.
The amount also includes guarantees on orders signed by the Landscape division for the North American market, the related amount decreases according to the work in progress and the backlog revision.
The real guarantee refers to the shares of the subsidiary Oxin S.r.l. used as collateral against a loan granted by the lender Banca Nazionale del Lavoro.

UNUSUAL TRANSACTIONS

The Group did not carry out any unusual transactions during the period.

SIGNIFICANT EVENTS AFTER 30 JUNE 2020

Acquisition of GICO S.p.A.

Following the agreement signed on 2 July 2020, on 15 July 2020 the Parent Company completed the acquisition of 60% of the share capital of GICO - Grandi Impianti Cucine - S.p.A. (hereinafter "GICO"), a company that designs, manufactures and distributes high-end, bespoke solutions for professional kitchens.
On 2 September 2020, Somec therefore subscribed a reserved capital increase for an amount of Euro 1.2 million, including a premium, as a result of which it owns 80% of GICO share capital. The agreement also includes put & call options on the remaining 20% stake to be exercised within three months of approval of the annual financial statements as at 31.12.2023.
Payment for 60% of GICO shares was made on the closing date to the amount of Euro 400,000 while another payment of Euro 200,000 was made to an escrow account and locked up as collateral for two years from the closing date. The price for the residual stake was established based on an enterprise value that is 5x 2023 EBITDA excluding net debt as at 31.12.2023, with a floor of Euro 400,000. In 2019, the company generated turnover to the amount of Euro 5.7 million and EBITDA of Euro 0.43 million.

****

San Vendemiano – Italy, 28 September 2020

The Chairman of the Board of Directors
Oscar Marchetto

Management representation on the Consolidated Financial Statements

Management representation on the condensed consolidated half-year financial statements pursuant to art. 81-ter of Consob regulation 11971 dated 14 May 1999 and subsequent amendments and additions

1. The undersigned Oscar Marchetto, in his capacity as Executive Officer, and Federico Puppin, as Manager Responsible for Preparing Financial Reports of Somec S.p.A. ("Somec"), with reference to the requirements of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 dated 24 February 1998, hereby represent:

• the suitability in relation to the business's organization and,
• the effective application of the administrative and accounting processes for the preparation of the condensed consolidated half-year financial statements at 30 June 2020, during the first half of 2020.

2. In this regard, there are no significant aspects to report.

3. The undersigned also represent that:

3.1 the condensed consolidated half-year financial statements at 30 June 2020:

a) have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union under Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002;

b) correspond to the underlying accounting records and books of account;

c) are able to give a true and fair view of the assets, liabilities, financial position and results of operations of the issuer and the group of companies included in the consolidation.

3.2 the report on operating performance includes a fair review of the important events taking place in the first six months of the year and their impact on the condensed consolidated half-year financial statements, together with a description of the principal risks and uncertainties to which the Group is exposed.

28 September 2020

Oscar Marchetto *Executive Officer*	Federico Puppin *Manager Responsible for Preparing Financial Reports*

Somec S.p.A.

Review report on the interim condensed consolidated financial statements as of June 30, 2020

(Translation from the original Italian text)

EY S.p.A.
Viale Appiani, 20/b
31100 Treviso

Tel: +39 0422 358811
Fax: +39 0422 433026
ey.com

Review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Somec S.p.A.

Introduction

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Somec S.p.A. and its subsidiaries (the "Somec Group") as of June 30, 2020. The Directors of Somec S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Somec Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Treviso, September 29, 2020

EY S.p.A.
Signed by: Maurizio Rubinato, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers