# Somec S.p.A.

## Annual report 2020

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# Letter from the Chairman

Dear Shareholders,

2020 will undoubtedly be remembered as one of the most trying and challenging years in recent history, in light of the global Covid-19 health crisis. The scale and unpredictability of this event has had an immense impact on lifestyles and economic prospects the world over, forcing us to rethink our priorities, values and business models.

Amongst our target markets, the worst hit was undeniably the cruise ship industry. Following a prolonged period of steady growth, global cruise lines were forced to suspend their operations as of March. Notwithstanding this setback, thanks to the financial strength and high margins of cruise operators and our solid positioning within the industry, we received confirmation of all our orders, new order intake and regular payments.

It is worth underlining that our diversification strategy is proving to be a smart move for us in the US Building Façades division in particular, thanks to growth and rising synergies with the parent company, the level and strength of our order backlog in both the Seascape and Landscape divisions, and our continued efforts to achieve operating efficiencies and new growth opportunities. As a result, we are well-positioned to reap the benefits of an imminent recovery, signs of which are already evident, as confirmed by the increase in our backlog.

Our resilient top-line, which slowed mainly due to the national lock-down, and our flexible organisational structure, have allowed us to meet all our targets despite the growing difficulties created by the pandemic: we completed four acquisitions, a transition to the MTA market and invested whilst also focusing on sustainability and research. We are therefore confident that we will come out of this crisis stronger than ever.

We are particularly proud of our people, who have risen to the challenge without ever showing signs of discouragement or resignation and have worked hard every day with dedication and a willingness to adapt. This has allowed us to take full advantage of the situation to rethink and improve our procedures and strategies, embarking upon a process of developing our organisation in order to best respond to the new and changing demands of the market.

The vaccine rollouts have quickly revitalised the prospects of the cruise ship industry, particularly in the US, which is traditionally the biggest market with a 50% share of all passengers in 2018. The main cruise operators expect to resume navigation as of June in light of the surge in pre-booking levels. In the US, following a first two months of the year that were marked by anticipation for the inauguration of the new President, the Building Façades market may be bolstered by the huge energy efficiency investments planned for the sector of construction and building renovation, particularly institutional buildings.

The Chinese market, which was opened to Somec around one year ago, has shown clear signs of an upturn in demand, and the growth prospects of China's shipbuilding sector are confirmed, now more than ever.

As for Europe, the UK, another important market for the cruise ship sector, is making rapid progress with its vaccine rollout, driving the increase in the number of pre-bookings.

We are well-positioned in all markets to exploit the opportunities created by an imminent and potentially striking recovery.

Thank you,

**Oscar Marchetto**
*Chairman of Somec S.p.A.*

# Directors’ Report

Consolidated financial statements
and separate financial statements
as at 31 December 2020

# Introduction

The parent company, Somec S.p.A. has prepared a single Directors' Report for both the separate financial statements of Somec S.p.A and the consolidated financial statements of the Group, as permitted under article 40, paragraph 2a of Legislative Decree No. 127 dated 09/04/91.

The consolidated 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. "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
Tel: +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

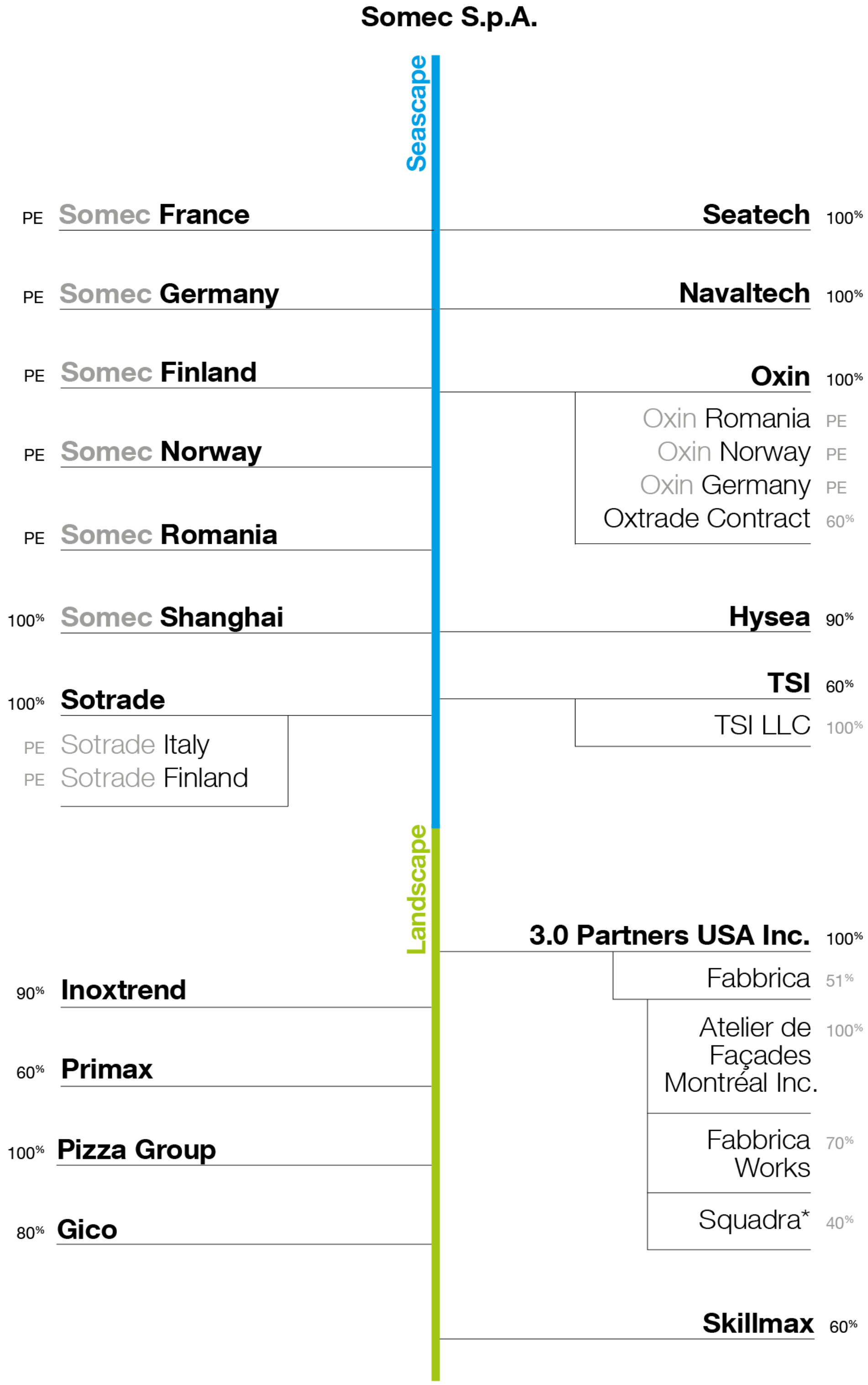
The Seascape division places Somec Group as one of the world's leading players in the segment of design, customised production and installation of glass envelopes used in the construction of new cruise ships (Marine Glazing), design and installation of custom made catering areas for cruise ships (Marine 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 31 December 2020.




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

# Scope of consolidation

As at 31 December 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) |
| 3.0 Partners USA Inc. | New York (USA) | 100% | USD | 10,000 |
| GICO S.p.A. | Vazzola (TV) | 80% (1) | EUR | 120,000 |
| Hysea S.r.l. | San Vendemiano (TV) | 90% | EUR | 100,000 |
| Inoxtrend S.r.l. | Santa Lucia di Piave (TV) | 90% | EUR | 122,222 |
| Navaltech LLC | Miami (USA) | 100% | USD | 1,000 |
| Oxin S.r.l. | Codognè (TV) | 100% | EUR | 100,000 |
| Pizza Group S.r.l. | San Vito al Tagliamento (PN) | 100% | EUR | 12,000 |
| Primax S.r.l. | San Vito al Tagliamento (PN) | 60% (2) | EUR | 1,030,000 |
| Seatech UK Ltd | Southampton (UK) | 100% | GBP | 100 |
| Skillmax S.r.l. | San Biagio di Callalta (TV) | 60% (3) | EUR | 500,000 |
| Somec Shanghai Co., Ltd | Shanghai (China) | 100% | CNY | 984,922 |
| Sotrade S.r.o. | Piestany (Slovakia) | 100% | EUR | 92,380 |
| Total Solution Interiors S.r.l. | Cantù (CO) | 60% (3) | EUR | 100,000 |
| **Indirectly owned subsidiaries and associates:** | | | | |
| Atelier de Façades Montréal Inc. | Montréal (Canada) | 50.90% | CAD | 100 |
| Fabbrica LLC | Delaware (USA) | 50.90% | USD | 9,935,407 |
| Fabbrica Works S.r.l. | San Biagio di Callalta (TV) | 35.63% (4) | EUR | 100,000 |
| Oxtrade Contract S.r.l. | Tg - Mures (Romania) | 60% | RON | 1,000 |
| Total Solution Interiors LLC | Miami (USA) | 60% | USD | 293,034 |

(1) The GICO S.p.A. acquisition includes “Put and Call” options on the minority stake, to be exercised within three months of approval of the financial statements as at 31.12.2023. Minority interests are not recognised in the consolidated income statement in light of the “Put and Call” options in place.

(2) The Primax S.r.l. 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.

(3) 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.

(4) The 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC. 35.63% is the related indirect ownership of Somec S.p.A. as at 31.12.2020.

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, since the economic impact of the initial 15 days of the fiscal year 2020 is considered not relevant. 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. and GICO S.p.A., in May 2020 and July 2020, has been recognised in the accounts as of the acquisition date.

## List of Company premises

Pursuant to Art. 2428 of the Italian Civil Code, it is hereby stated that the business activities are conducted in Italy at the registered office located in Via Palù 30 in San Vendemiano (Treviso, Italy), 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 stable organizations located in France in Saint Nazaire, in Finland in Turku, in Germany in Papenburg and Wismar, in Romania in Tulcea and in Norway in Sovik.

The Group also operates in Miami (USA), in Connecticut (USA), in Delaware (USA), Montréal (Canada), Piestany (Slovakia), Southampton (UK), Bucharest (Romania), Santa Lucia di Piave (Treviso, Italy), Codognè (Treviso, Italy), San Vito al Tagliamento (Pordenone, Italy), Cantù (Como, Italy), Aprilia (Latina, Italy), Marghera (Venice, Italy), San Biagio di Callalta (Treviso, Italy), Vazzola (Treviso, Italy) and Padova (Italy).

# Significant events during the year end 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. 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.

**Skillmax acquisition**
6 May 2020, Somec S.p.A. finalised the acquisition of 60% of Skillmax S.r.l. which supplies and fits out high-end turnkey interior furnishing solutions for boutiques, stores, hotels and public areas.

**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**
4 August 2020, Borsa Italiana S.p.A. ("Borsa Italiana") set the start of trading of the Somec ordinary shares on the Mercato Telematico Azionario ("MTA") and concurrently excluded the shares from trading on AIM Italia Market.

**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.

**Start of procedure of voluntary liquidation of Seatech**
23 December 2020, the BoD of Somec S.p.A., according to the company structure simplification process initiated with the merge of 3.0 Partners into the parent company Somec S.p.A. on September 2019, approved the procedure of voluntary liquidation of Seatech UK Ltd, the England based commercial subsidiary fully controlled by Somec Group.

# Significant events after the year end 2020

**Skillbuild**
On 19th January 2021, the newly acquired company Skillmax created Skillbuild S.r.l. with the aim of serving private housing upgrading following the government fiscal incentives for sustainable building.

**ESG rating**
On March 2021, Somec S.p.A. has assigned to a leading international independent firm the ESG rating assessment.

# Order Backlog

During the year 2020, the Group received over 253 million Euro of order intake. The year-to-date order intake stands at over 24 million Euro.

Total Group Backlog[1] reached 767 million Euro as at 31 December 2020 (exceeding the 638 million Euro total of 31 December 2020 by 129 million Euro) of which 601 Euro million in the Seascape division and 166 Euro million in the Landscape division, whit a time horizon of the order portfolio until 2027.

The following chart illustrates the total Backlog breakdown by scheduled delivery year. It has to be noted that, as a consequence of the characteristic of the specific business, the planning horizon of Landscape - Building Façades segment is no longer than two years, representing the average time between order signing and later delivery.

**Total backlog breakdown by scheduled year (% on total)**

| 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| 23% | 23% | 15% | 12% | 12% | 10% | 5% |

On the total Backlog amount of 767 Euro million, options represent 28%.

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

| Seascape | | | Landscape |
|---|---|---|---|
| Marine Glazing | Marine Cooking Equip. | Marine Public Areas | Building Façades |
| 50.4% | 21.7% | 6.2% | 21.7% |

The following table shows a summarised breakdown of Seascape Backlog, equal to 78% of total Backlog, split by main cruise operators.

**Seascape backlog by cruise operators (%)**

| A | B | C | D | E | Others ancillary | Total |
|---|---|---|---|---|---|---|
| 19% | 19% | 18% | 17% | 16% | 11% | 100% |

[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 31 December 2020 and 31 December 2019

**Reclassified consolidated income statement**

| *Amounts in €/000* | **2020** | *%* | **2019** | *%* | Δ% |
|---|---|---|---|---|---|
| Revenues from contracts with customers | 222,068 | *99.4%* | 249,971 | *99.4%* | *-11.2%* |
| Other operating income | 1,356 | *0.6%* | 1,422 | *0.6%* | *-4.7%* |
| **Total Revenues** | **223,424** | ***100.0%*** | **251,393** | ***100.0%*** | ***-11.1%*** |
| Purchases, services and other expenses | (164,314) | *-73.5%* | (187,301) | *-74.5%* | *-12.3%* |
| Personnel expenses | (40,420) | *-18.1%* | (39,663) | *-15.8%* | *1.9%* |
| **Operating costs** | **(204,734)** | ***-91.6%*** | **(226,964)** | ***-90.3%*** | ***-9.8%*** |
| **Gross Operating Profit (EBITDA) *** | **18,690** | ***8.4%*** | **24,430** | ***9.7%*** | ***-23.5%*** |
| Depreciation, amortisation and impairment | (20,908) | *-9.4%* | (11,666) | *-4.6%* | *79.2%* |
| **Operating income (EBIT)** | **(2,218)** | ***-1.0%*** | **12,764** | ***5.1%*** | ***-117.4%*** |
| Financial income (expenses) ** | 3,628 | *1.6%* | (1,179) | *-0.5%* | *-407.8%* |
| Income from associates | 112 | *0.1%* | 67 | *0.0%* | *67.9%* |
| **Pre-tax profit (EBT)** | **1,522** | ***0.7%*** | **11,652** | ***4.6%*** | ***-86.9%*** |
| Income taxes for the period | (42) | *0.0%* | (3,092) | *-1.2%* | *-98.6%* |
| **Consolidated Net Income** | **1,480** | ***0.7%*** | **8,560** | ***3.4%*** | ***-82.7%*** |
| Non-controlling interests | (1,193) | *-0.5%* | 667 | *0.3%* | *-278.8%* |
| **Group Net Income** | **2,673** | ***1.2%*** | **7,892** | ***3.1%*** | ***-66.1%*** |

* EBITDA was impacted by non-recurring translisting costs and the costs associated with Covid-19 incurred during the year, excluding which EBITDA would amount to Euro 20 million, with an Adjusted EBITDA margin of 9%.
** Earnings before tax (EBT) and, in particular, financial income (charges) includes: income from the Pizza Group business combination, which resulted in non-recurring income to the amount of Euro 1.5 million; income deriving from the fair value adjustment of the "Put and Call" option on the remaining 40% of the share capital of Total Solutions Interiors S.r.l., which resulted in the recognition of non-recurring income amounting to Euro 4.8 million.

The Group's **consolidated income statement** shows revenues to the amount of Euro 223.4 million as at 31 December 2020, compared to Euro 251.4 million as at 31 December 2019, down by 11.1%. This deterioration was caused by the slowdown following Coronavirus-related closures.

The following table shows a summary of the **revenue breakdown by geographic area:**

| | **2020** | **2019** |
|---|---|---|
| Italy | *21.3%* | *25.3%* |
| Europe (excluding Italy) | *28.9%* | *29.3%* |
| North America | *42.6%* | *44.3%* |
| Rest of the World | *7.2%* | *1.1%* |

The 1.9% increase in **personnel expenses** reflects a change in the headcount from 766 employees in 2019 to 809 in 2020. It is worth noting that the unit cost of personnel was affected by our use of the furlough scheme due to the Covid-19 pandemic.

Consolidated **EBITDA** at 31 December 2020 amounted to Euro 18.7 million, down by 23.5% on the Euro 24.4 million in 2019, with an EBITDA margin of 8.4% compared to 9.7 % the previous year.

**Adjusted EBITDA** stood at Euro 20 million, with an adjusted EBITDA margin of 9%, compared to 9.7% the previous year, due to translisting costs amounting to Euro 1.1 million and Euro 0.2 million of Covid-19 related costs incurred during the year. There were no non-recurring costs as at 31 December 2019.

**Amortisation, depreciation and impairment** stood at Euro 20.9 million, an increase of Euro 9.2 million on the Euro 11.7 million in 2019.
In terms of amortisation, this change was due to (i) an increase in intangible assets, which rose from Euro 6 million as at 31 December 2019 to Euro 7.8 million as at 31 December 2020, (ii) right-of-use assets, which climbed by Euro 1.1 million compared to the previous year.
Impairment charges amounting to a total of Euro 5.8 million, include (i) goodwill impairment recognised in the consolidated financial statements of the CGU, TSI to the amount of Euro 4.7 million following an *impairment test*, and (ii) impairment losses on receivables and raw material and finished product inventories amounting to Euro 1.1 million.
As a result of a change in the scope of consolidation and the business combinations that took place during the year, the item increased by Euro 1 million.
The D&A/sales ratio stood at 9.4%, compared to 4.6% the previous year.

**EBIT Adjusted** for non-recurring costs, mainly incurred for the transition to the MTA market, was negative at -Euro 0.9 million.

Consolidated **EBIT** at 31 December 2020 was negative at -Euro 2.2 million, down on the figure of Euro 12.8 million in 2019, at -1% of revenues compared to 5.1% the previous year. This reduction is mainly attributable to the amortisation of intangible assets acquired as a result of external growth during the year, and to the aforementioned write-downs in the value of goodwill at the CGU, TSI. This result is offset by lower financial charges thanks to a reduction in the fair value of the “Put & Call” option.

**Financial income (charges)** benefited during the year from non-recurring income deriving from the Pizza Group business combination, amounting to Euro 1.5 million (for more details, please see the section on Business Combinations), and from income deriving from the fair value adjustment of the “Put and Call” option on the remaining 40% of the share capital of Total Solution Interiors S.r.l., amounting to Euro 4.8 million (for more details, please see the section on Goodwill).

As a result of the above, **Consolidated Net Income** for the period stood at Euro 1.5 million, down on the net income of Euro 8.6 million in 2019. The net profit margin shrank from 3.4% in 2019 to 0.7% in 2020.

**Non-controlling interests** for the period was negative at Euro 1.2 million compared to a positive Euro 0.7 million as at 31 December 2019.

**Group Net Income** amounted to Euro 2.7 million as at 31 December 2020 compared to Euro 7.9 million as at 31 December 2019.

## Seascape e Landscape

The following is a summary of the results of the two divisions as at 31 December 2020 with comparative figures from 31 December 2019.

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| *Amounts in €/000* | **Seascape** | **Landscape** | **Total** | **Seascape** | **Landscape** | **Total** |
| Revenues | 132,999 | 90,425 | 223,424 | 158,491 | 92,902 | 251,393 |
| EBITDA | 13,824 | 4,866 | 18,690 | 16,105 | 8,325 | 24,430 |
| EBIT | 3,373 | (5,591) | (2,218) | 12,453 | 311 | 12,764 |

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| *% of revenues* | **Seascape** | **Landscape** | **Total** | **Seascape** | **Landscape** | **Total** |
| EBITDA margin | 10.4% | 5.4% | 8.4% | 10.2% | 9.0% | 9.7% |
| EBIT margin | 2.5% | (6.2%) | (1.0%) | 7.9% | 0.3% | 5.1% |

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 revenues: -16.1% (Euro 133 million as at 31 December 2020, compared to Euro 158.5 million as at 31 December 2019);
- Landscape division revenues: -2.7% (Euro 90.4 million at 31 December 2020, compared to Euro 92.9 million as at 31 December 2019).

In the Seascape division, the EBITDA margin was 10.4%, essentially in line with the previous year's figure of 10.2%.

In the Landscape division, the EBITDA margin was reduced by 3.6%. This decrease is attributable to the Professional Cooking Equipment segment, which was affected by the economic crisis in the sector as a result of the Covid-19 pandemic, with the exception of the production of bread-making products.
Building Façades segment margins shrank as a result of the Covid-19 pandemic due to a slowdown in construction site activity and the absence of social safety nets.

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** | |
|---|---|---|---|---|---|---|---|---|
| **2020** | 73.1 | *55.0%* | 36.9 | *27.7%* | 23.0 | *17.3%* | 133.0 | *100.0%* |
| **2019** | 89.8 | *56.7%* | 44.6 | *28.1%* | 24.1 | *15.2%* | 158.5 | *100.0%* |
| *% change* | *-18.6%* | | *-17.3%* | | *-4.6%* | | *-16.1%* | |

| *Eur M/ % of total* | ***Building Façades*** | | ***Professional Cooking Equipment*** | | ***Public Areas Interiors*** | | **Total Landscape** | |
|---|---|---|---|---|---|---|---|---|
| **2020** | 68.2 | *75.5%* | 20.3 | *22.4%* | 1.9 | *2.1%* | 90.4 | *100.0%* |
| **2019** | 81.6 | *87.8%* | 11.3 | *12.2%* | - | - | 92.9 | *100.0%* |
| *% change* | *-16.4%* | | *79.6%* | | *0%* | | *-2.7%* | |

## Statement of financial position

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

**Reclassified consolidated statement of financial position**

| *Amounts in €/000* | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Intangible assets | 52,087 | 57,981 |
| *of which goodwill* | *27,555* | *28,484* |
| Tangible assets | 16,056 | 12,193 |
| Right-of-use assets | 18,944 | 18,693 |
| Investments in associates | 194 | 83 |
| Non-current financial assets | 282 | - |
| Other non-current assets and liabilities | (5,995) | (7,415) |
| Employee benefits | (4,381) | (2,301) |
| **Net fixed assets** | **77,187** | **79,236** |
| Inventory and payments on account | 12,631 | 11,305 |
| Contract work in progress and advances | 23,778 | 24,503 |
| Trade receivables | 65,520 | 57,921 |
| Trade payables | (43,940) | (47,465) |
| Provisions for risks and charges | (470) | (344) |
| Other current assets and liabilities | (31,112) | (20,364) |
| **Net working capital** | **26,407** | **25,556** |
| **Net capital employed** | **103,594** | **104,791** |
| | | |
| Group shareholders' equity | 38,385 | 39,409 |
| Non-controlling interests | 6,880 | 9,194 |
| Net financial position | 58,329 | 56,189 |
| **Sources of financing** | **103,594** | **104,791** |

**Net fixed assets** moved from Euro 79.2 million at 31 December 2019 to Euro 77.2 million at 31 December 2020, and were therefore essentially unchanged. Goodwill includes the impairment losses of the CGU, TSI to the amount of Euro 4.7 million, offset by new business combinations amounting to Euro 4.3 million, Euro 2.8 million attributable to Skillmax and Euro 1.5 million to GICO.

**Net working capital** amounted to Euro 26.4 million, up Euro 0.8 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 31.1 million as at 31 December 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 38.4 million as at 31 December 2020, and was therefore essentially in line.

**Net financial position** stood at Euro 58.3 million, up by Euro 2.1 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* | | **31/12/2020** | **31/12/2019** |
|---|---|---|---|
| A. | Cash | 51 | 29 |
| B. | Bank deposits | 41,792 | 29,399 |
| **C.** | **Total liquidity (A+B)** | **41,843** | **29,428** |
| **D.** | **Current financial assets** | **331** | **1** |
| E. | Current bank debt | (9,555) | (7,297) |
| F. | Current portion of long-term debt | (16,862) | (12,763) |
| G. | Other current financial liabilities | (763) | (3,686) |
| **H.** | **Current debt (E+F+G)** | **(27,180)** | **(23,746)** |
| **I.** | **Current net financial position (C+D+H)** | **14,994** | **5,683** |
| J. | Non-current bank debt | (42,329) | (31,612) |
| K. | Other non-current financial liabilities | (11,942) | (13,033) |
| **L.** | **Non-current financial position (J+K)** | **(54,271)** | **(44,645)** |
| **M.** | **Net financial position (I+L) before IFRS 16** | **(39,277)** | **(38,962)** |
| | | | |
| **N.** | **IFRS 16 – Lease – impact** | **(19,052)** | **(17,227)** |
| | Current portion | (3,800) | (2,734) |
| | Non-current portion | (15,252) | (14,493) |
| **O.** | **Net financial position (M+N IFRS 16 effect)** | **(58,329)** | **(56,189)** |

The net financial position in the configuration required by CONSOB communication no. DEM/6064293 of 28 July 2006 is provided in the Notes to the Consolidated Financial Statements.

**Consolidated net financial position** as at 31 December 2020, including the effect of IFRS 16, amounted to Euro 58.3 million, compared to Euro 56.2 million as at 31 December 2019.

Compared to 31 December 2019 (the reporting date of the last financial statements), financial data includes the consolidation of Pizza Group, Fabbrica Works, Skillmax and GICO after the Group acquired control of the said assets during the course of 2020.
The increase in consolidated gross debt at 31 December 2020 compared to 31 December 2019 is due to new lease liabilities attributable to the companies acquired during the 2020 financial year.

Group net financial position, excluding the effects of IFRS 16, stood at Euro 39.3 million 31 December 2020, up from Euro 39 million as at 31 December 2019.

The reclassified consolidated statement of cash flows as at 31 December 2020 and 31 December 2019 is shown below.

**Reclassified consolidated statement of cash flows**

| *Amounts in €/000* | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Cash flows from operating activities | 16,375 | 5,296 |
| Cash flows from investing activities | (10,594) | (13,879) |
| **Free Cash Flow** | **5,781** | **(8,582)** |
| Cash flows from financing activities | 6,842 | 13,229 |
| Effect of exchange differences on cash and cash equivalents | (208) | (152) |
| **Cash flows for the period** | **12,415** | **4,494** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **29,428** | **24,934** |
| **Cash and cash equivalents at the end of the period** | **41,843** | **29,428** |

**Cash flows from operating activities** amounted to Euro 16.4 million, up by Euro 11.1 million on 2019, mainly due to the resilience of operating profit and the neutral impact of working capital.

**Cash flows from investing activities** stood at Euro 10.6 million and mainly refers to acquisitions made by the Group during the course of the year.

**Cash flows from financing activities** to the amount of Euro 6.8 million mainly refers to new bank loans drawn down during the year, less dividend payments to the amount of Euro 3.5 million.

# Business performance of Parent Company, Somec S.p.A.

## Analysis of financial position and performance of Parent Company, Somec S.p.A.

The following table shows the reclassified income statement of Parent Company, Somec S.p.A. compared to the income statement for 2019, both of which were prepared in compliance with IAS/IFRS:

**Reclassified consolidated income statement**

| *Amounts in €/000* | **2020** | % | **2019** | % | Δ% |
|---|---|---|---|---|---|
| Revenues from contracts with customers | 63,948 | 98.8% | 77,590 | 98.4% | -17.6% |
| Other operating income | 755 | 1.2% | 1,229 | 1.6% | -38.6% |
| **Total Revenues** | **64,703** | **100.0%** | **78,820** | **100.0%** | **-17.9%** |
| Purchases, services and other expenses | (49,436) | -76.4% | (61,172) | -77.6% | -19.2% |
| Personnel expenses | (11,562) | -17.9% | (11,770) | -14.9% | -1.8% |
| **Operating costs** | **(60,998)** | **-94.3%** | **(72,941)** | **-92.5%** | **-16.4%** |
| **Gross Operating Profit (EBITDA) *** | **3,705** | **5.7%** | **5,878** | **7.5%** | **-37.0%** |
| Depreciation, amortisation and impairment | (2,280) | -3.5% | (1,854) | -2.4% | 23.0% |
| **Operating income (EBIT)** | **1,425** | **2.2%** | **4,024** | **5.1%** | **-64.6%** |
| Financial income (expenses) ** | (2,441) | -3.8% | 488 | 0.6% | -600.2% |
| Income from associates | 3,170 | 4.9% | 2,311 | 2.9% | 37.2% |
| **Pre-tax profit (EBT)** | **2,154** | 3.3% | **6,824** | **8.7%** | **-68.4%** |
| Income taxes for the period | (249) | -0.4% | (1,507) | -1.9% | -83.5% |
| *Tax-rate* | *11.6%* | | *22.1%* | | |
| **Net Income** | **1,905** | **2.9%** | **5,317** | **6.7%** | **-64.2%** |

** EBITDA was affected by the non-recurring translisting costs incurred during 2020 and the cost of anti-COVID-19 measures implemented by the company, excluding which EBITDA would amount to Euro 5 million, with an adjusted EBITDA margin of 7.8%.*
*** Earnings before tax (EBT) and in particular Financial income (charges) includes write-downs in the value of equity investments and income from the fair value adjustment of the “Put & Call” options on 40% of Primax, which overall resulted in a non-recurring charge of Euro 1.3 million.*

Total **revenues** amounted to Euro 64.7 million in 2020, down by 17.9% on 2019.

**EBITDA** (or gross operating profit) stood at Euro 3.7 million, with an EBITDA margin of 5.7%, falling by 1.8 percentage points on the previous year’s figure.
This reduction was the result of an increase in non-recurring costs, excluding which **Adjusted EBITDA** would amount to Euro 5 million, with an Adjusted EBITDA margin of 7.8% (up by 0.3 percentage points on the previous year’s figure).
Personnel expenses shrank by 1.8% with an average increase in new recruitments of 3.9% compared to 2019, partly due to the use of the furlough scheme during the COVID-19 pandemic.

**Depreciation, amortisation and impairment**, at Euro 2.3 million, was up 23.0% on the previous year, mainly due to new rental agreements for offices and warehouses for the foreign permanent establishments and new lease agreements for plant and equipment/machinery. In this regard, following the introduction of IFRS 16, lease payments are no longer recognised as expenses in the income statement. Right-of-use assets are amortised and recognised under fixed assets. Interest charges are accrued on the corresponding liability, i.e. the future contractual consideration to be paid to the lessor.

**EBIT** (or operating profit) amounted to Euro 1.4 million, down by 2.9 percentage points on the year 2019, due to the combination of the two factors mentioned above.

The item **Financial income and charges**, at Euro -2.4 million in 2020 compared to Euro 0.5 million in 2019, was impacted by impairment write-downs in the value of equity investments amounting to 2.6 million Euro, in addition to exchange losses of Euro 1 million (of which Euro 0.9

million unrealised), but benefited from the fair value adjustment of the "Put & Call" options on the remaining 40% of the share capital of the subsidiary, Primax, amounting to Euro 1.3 million.
Total **income from associates** improved thanks to an increase in dividends from the subsidiaries, Navaltech and Seatech, bringing EBT to Euro 2.2 million.
These dividends, in addition to the write-downs in the value of equity investments and the income on the Primax option, due to tax exemption, are one of the main reasons for the improvement in the tax rate, which was reduced to 11.6% from 22.1% the previous year.

**Net income** for 2020, amounting to Euro 1.9 million, with a net profit margin of 2.9%, was down by Euro 3.4 million compared to the previous year.

To complete the picture, we have included some profitability ratios in the table below:

| **Profitability ratios** | **2020** | **2019** |
|---|---|---|
| Net ROE | 6.4% | 16.9% |
| ROI | 1.8% | 6.0% |

Net ROE, calculated as net income for the year / net equity at the end of the period shows a sufficient return on equity.
ROI, calculated as operating income (EBIT) / net invested capital, shrank due to both the reduction in operating income but, above all, following a significant increase in invested capital due to acquisitions made in 2020.

The **reclassified statement of financial position** as at 31 December 2020, compared with the statement of financial position as at 31 December 2019, is as follows:

**Reclassified statement of financial position**

| *Amounts in €/000* | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Intangible assets | 66 | 91 |
| Tangible assets | 1,321 | 1,304 |
| Right-of-use assets | 5,821 | 5,284 |
| Investments in associates | 37,137 | 29,172 |
| Non-current financial assets | 17,606 | 17,367 |
| Other non-current assets and liabilities | 719 | 399 |
| Employee benefits | (466) | (464) |
| **Net fixed assets** | **62,204** | **53,152** |
| Inventory and payments on account | 3,744 | 2,788 |
| Contract work in progress and advances | 14,101 | 15,544 |
| Trade receivables | 20,458 | 17,972 |
| Trade payables | (19,431) | (22,497) |
| Provisions for risks and charges | (330) | (344) |
| Other current assets and liabilities | 705 | 267 |
| **Net working capital** | **19,248** | **13,729** |
| **Net capital employed** | **81,452** | **66,881** |
| | | |
| Shareholders' equity | (29,700) | (31,375) |
| Net financial position | (51,752) | (35,506) |
| **Sources of financing** | **(81,452)** | **(66,881)** |

The significant increase in **net fixed assets** mainly reflects equity investment decisions during the year, such as the purchase of 100% of the share capital of Pizza Group S.r.l., 60% of Skillmax S.r.l. and 80% of G.I.C.O. shares. S.p.A. – Grandi Impianti Cucine.
The acquisition of Skillmax S.r.l. provides for put and call options on the remaining 40% of capital. The options are exercisable as of 2022.

**Net working capital** was up Euro 5.5 million, with an increase in trade receivables due to end-of-period advances and a decrease in trade payables.

The reduction in **shareholders' equity** reflects the 2020 dividend amounting to Euro 3.5 million, not fully offset by the positive contribution of net profit for the year.

**Net financial position** is composed as follows:

| *Amounts in €/000* | | **31/12/2020** | **31/12/2019** |
|---|---|---|---|
| A. | Cash | 2 | 2 |
| B. | Bank deposits | 6,498 | 12,033 |
| **C.** | **Total liquidity (A+B)** | **6,500** | **12,035** |
| **D.** | **Current financial assets** | **573** | **-** |
| E. | Current bank debt | (6,636) | (3,644) |
| F. | Current portion of long-term debt | (13,476) | (9,885) |
| G. | Other current financial liabilities | (762) | (1,808) |
| **H.** | **Current debt (E+F+G)** | **(20,874)** | **(15,337)** |
| **I.** | **Current net financial position (C+D+H)** | **(13,801)** | **(3,302)** |
| J. | Non-current bank debt | (30,543) | (25,014) |
| K. | Other non-current financial liabilities | (1,965) | (2,107) |
| **L.** | **Non-current financial position (J+K)** | **(32,508)** | **(27,121)** |
| **M.** | **Net financial position (I+L) before IFRS 16** | **(46,309)** | **(30,423)** |
| | | | |
| **N.** | **IFRS 16 – Lease – impact** | **(5,443)** | **(5,083)** |
| | Current portion | (1,533) | (1,271) |
| | Non-current portion | (3,910) | (3,812) |
| **O.** | **Net financial position (M+N IFRS 16 effect)** | **(51,752)** | **(35,506)** |

The **net financial position** rose by Euro 16.3 million on the result at 31 December 2019, highlighting an increase in exposure to bank loans after Somec was granted new loans during the year. This requirement is due to an increase in our exposure to customers for business performed in the last part of the year and the strategic decision to safeguard our supply chain, in addition to financing external growth.

It is worth noting that, excluding the effects of the application of IFRS16, the net financial position would have been Euro 5.4 million lower in 2020 and Euro 5.1 million lower in 2019.

The change in cash and cash equivalents between 31 December 2019 and 31 December 2020 is shown in the following table:

| | |
|---|---|
| **Cash and cash equivalents at 31/12/2019** | **12,035** |
| Cash flows from operating activities (A) | (225) |
| Cash flows from investing activities (B) | (11,526) |
| Cash flows from investing activities (C) | 6,216 |
| ***Increase (decrease) in cash and cash equivalents (A+B+C)*** | ***(5,535)*** |
| **Cash and cash equivalents at 31/12/2020** | **6,500** |

## Research and development

The Group, which has always taken a proactive approach towards customers, creates and offers innovative solutions in step with market developments. Our strategy of constantly updating our products and processes is therefore one of the Group's core values and over time has enabled us to compete on a global scale.
The objectives of the research and development department focus on issues such as energy efficiency, reducing our environmental impact and lowering operating costs.

## Environment and personnel

Somec is well aware of the context in which the factories of the Group companies operate, and shares in the concern over the issue of climate change. In order to manage environmental aspects, Somec Group - whose parent company is ISO 14001 certified - relies on ongoing coordination between its subsidiaries: the expansion of the Group as a result of our external growth through acquisitions, a strategy that relies heavily on control of our reference sectors, means that the Group companies depend on standardised practices and procedures. The standardisation and centralisation process was heavily delayed in 2020 due to the outbreak of the Coronavirus pandemic. Our subsidiaries opted to postpone some already scheduled measures - or those that were being considered/the subject of feasibility studies - in order to concentrate resources on managing the health crisis. The impact of the pandemic also led to an overall reduction in production volumes and, consequently, in energy consumption, which declined for almost all our subsidiaries.

Somec has always taken special care of its employees - who are above all people, women and men who actively contribute on a daily basis to its success at the various levels of the Group. These solid foundations proved to be a key strength during 2020, when the Coronavirus pandemic shook economies around the world, forcing us all to face an unprecedented crisis. The biggest challenge was to guarantee business continuity, by adapting to the new and unpredictable scenario. We drew on our capacity for resilience with Somec's management and the companies within the Group working tirelessly side by side. When news of the spread of the pandemic first broke, the Group promptly appointed an internal Task Force to manage the emergency and immediately took decisive action aimed at safeguarding the health of its people. In particular, and starting with the Italian branches, Somec took proactive steps to adapt to the infection prevention and containment measures, anticipating legislation and setting up an internal committee to monitor the evolution of the emergency on a daily basis: the committee has also been responsible for keeping a direct line open with the authorities and trade unions in order to manage any problems together. However, despite the Group's prompt action, which ensured continuity and prevented it from having to lay off employees or downsize the company, it was inevitably forced to use the furlough scheme in order to ensure that employees and their families received financial support, whilst saving their jobs and allowing Somec to offset the decline in production volumes due to the impact of the pandemic on the global economy

As at 31 December 2020, the Group had a total of 809 employees, 171 of whom women and 638 men.

Finally, during the two-year reporting period, there were no commuting injuries - where transport was organised by a Group company and travel took place during working hours - nor were there any deaths. No external workers were seriously injured during the period. In 2019 and 2020, there were no cases of occupational illnesses, the risks associated with which are identified by means of specific risk assessment procedures that identify those that occur most frequently due to the repetitive nature of some tasks, and exposure to noise and vibrations during some production processes.

## Human Resources

As at 31 December 2020, the Group's headcount amounted to 809 employees including members of the project management, marketing and sales teams (around 18%), general office staff (roughly 20%), research and development, engineering (approximately 12%) and manufacturing (about 50%) personnel.

## Ownership of the Company

As at 31 December 2020, the company Venezia S.p.A. directly owns 74.86% of the share capital of Somec S.p.A, accounting for 5,165,300 ordinary shares. Venezia S.p.A. is a holding company controlled by Oscar Marchetto (74.3%), Giancarlo Corazza (15.7%) and Alessandro Zanchetta (10.0%).

On the reporting date, in addition to the indirect stake held via Venezia S.p.A, Oscar Marchetto owns a direct shareholding of 0.24%, Giancarlo Corazza - through Gicotech S.r.l. of which he is sole director and shareholder- owns a direct shareholding of 0.07%, Alessandro Zanchetta - through Ellecigi S.r.l. of which he is sole director and shareholder- owns a direct shareholding of 0.07%,

The remaining 24.76% is float, accounting for 1,708,000 of a total of 6,900,000 Somec Group ordinary shares.

## 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 31 December 2020 and income and expenses from related party transactions in the year 2020, please see the relevant section of the notes to the financial statements.

## Performance of Somec share listed on the Borsa Italiana S.p.A. electronic stock exchange (MTA)

On 30 December 2020, the final trading day of the period, the official closing price of the Somec share was Euro 17.85 (-0,8% compared to Euro 18.00 per share set for the IPO, -2.7% compared to the closing value of Euro 18,35 at the end of first semester 2020). Market capitalization on 30 December 2019 was Euro 123,165 thousand.

## 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 Group systematically monitors and identifies business risks, the results of which are reported to the Board of Directors and the competent internal committees. 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. Although the discovery and ongoing rollout of vaccines are offering us an extremely positive glimpse of a return to normality, at present it is too early to predict when this will happen. 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, although the Group has always adopted a strategy of proximity to its customers and has a short and controlled production chain, the operations of the Group's suppliers and customers could be subject to limitations or interruptions. In order to mitigate this risk, when news of the spread of the pandemic first broke, the Group promptly appointed an internal Task Force to manage the crisis, and immediately adopted a policy to support suppliers and clients, while also taking decisive action and implementing strict procedures to safeguard the health of its employees and preserve the business.
On the date of approval of this report the Group's plants are operational, in compliance with the current legislation of each country.

**Risk of failure to win projects, cancellations and consequent effect on the Backlog and Backlog under Option**
This risk refers to the possibility of failing to acquire new orders or of the cancellation and / or delay of existing orders.
Although the Group is exposed to this risk, which is inherent to the sector and has been exacerbated by the current global pandemic, it still operates according to a "Business to Business" model, which is therefore extremely structured and organised, based on a multi-year backlog consisting of projects for which customers have already paid given the need for careful planning in this industrial sector.
The Seascape Business Unit, which is theoretically more exposed to this risk, has not shown any cause for concern. On the contrary, all orders in progress have been confirmed, bolstered by the positive signs of a recovery of the resilient cruise ship sector. Furthermore, the low level of customer concentration (no single operator accounts for more than 20% of turnover) severely limits the Group's exposure to this risk.
As for Backlog "under option", the existing letters of intent exercisable by customers, the contracts subject to conditions, as well as contract negotiations currently under way, may not lead to new order acquisitions. However, the impact of this outcome would not be seen for several years. To manage this risk, some options in the marine cooking equipment sector have been converted into confirmed orders with delivery scheduled for 2023.
The impact of this risk is further mitigated by the diversification strategy implemented by the Group in recent years through the expansion of its business, both organically and through acquisitions in new markets, geographical areas, products and services. The Building Façades division of the Landscape Business Unit, for example, is less exposed to these risks due to the type of product,

demand for which has so far proved immune to the effects of the pandemic, the fact that projects are of a shorter duration and greater frequency, and due to the highly fragmented client base.

# 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.
Somec believes that the Group's risk management policy is sufficient to limit the exchange rate risk. However, it is possible that future unforeseeable fluctuations in the exchange rate of the Euro against other currencies could have negative impacts on the financial condition of the Group companies, as well as affect the comparability of individual financial years. Furthermore, in limited cases, where it is cost-effective or local market conditions require it, companies can borrow or use funds in currencies other than the currency of account. Exchange rate fluctuations may cause positive or negative exchange differences.

**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.

The cash flows, borrowing requirements and liquidity of the Group companies are monitored continuously at the central level, in order to guarantee effective and efficient management of financial resources. At the same time, the Group has adopted a number of policies and processes aimed at optimising the management of its financial resources, thus reducing the liquidity risk: maintaining an adequate amount of available liquidity; diversifying financing sources and maintaining a continuous and active presence on capital markets; obtaining adequate credit lines; monitoring prospective liquidity conditions, in relation to the business planning process.

## Key uncertainties

At the time of writing, the scenario continues to be highly volatile and unpredictable as a result of the global Covid-19 pandemic. Although the discovery of vaccines and subsequent mass inoculation programmes have undeniably offered us a glimmer of hope for a gradual return to normal in the medium term, for now there is still much uncertainty around the timing of the global economic recovery.

The consequences of the pandemic vary considerably according to both geographical area and sector; sectors that depend more on physical interaction between people (e.g. tourism, transport or the catering/restaurant business) have suffered the most while others (such as those related to digitalisation or pharmaceuticals) have thrived.

Although our operating activities can be performed in relative safety and are not directly impacted by any particular issues, and although we remain very confident that volumes will make a full recovery and growth will move swiftly back to pre-Covid rates during the course of 2021 (subject to the success of the vaccination drive, the ongoing pandemic waves and the occasional “soft” lockdown), we remain cautious in regard to a return to normal in the short term. This is despite the fact that our production sites were back up and running at full capacity all over the world immediately after the end of the various lockdowns and closures imposed by different government authorities

In particular, without the support of a long-term backlog like the Seascape division or the building facades business, professional cooking may be impacted in the short term by the previously mentioned uncertainties and volatility.

# Business Outlook

Despite the overall backdrop of uncertainty, the resilience shown by both the Group's divisions even during the most challenging periods of last year (such as during the peak of the first and second pandemic wave) is reassuring and allows us to take an optimistic view on the near future. Aside from the forced closures of March and April, Somec has not lost a single day of production and all orders have been confirmed, even in the more exposed cruise ship sector. It is precisely this increase in the backlog of both divisions plus the investments made in acquisitions, processes and governance during the year that point to a scenario of renewed growth and competitiveness for the company.

Visibility on the order backlog remains solid and long-term partly thanks to clients with strong balance sheet ratios and medium to long-term planning needs that have expressed their intention to resume investments in order to be first in line to exploit the opportunities generated by the economic recovery. The financial strength of the Group's main clients is also shown by the working capital trend, which has not given rise to any particular concerns, and the confirmation of the entire order backlog.

Moreover, the strategy of diversifying the business areas through two separate business units (whose contribution to 2020 Group revenues dropped to 60% in the case of the Seascape division and rose to 40% in the case of the Landscape division) again proved to be a smart move in this challenging pandemic scenario thanks to the decorrelation and counter-cyclicality of one division with respect to the other. Although they both have the same "cash generative" business models, the two divisions are focused on markets with entirely different characteristics and geographies, thus enhancing synergies and reducing the company's overall risk exposure.

The backlog acquired by the Seascape BU for the next two years (amounting to 203 million euro, or 26% of the total backlog) is comprised by projects in progress that have already been launched and financed. The continuous growth enjoyed in recent years by the cruise sector was not compatible with the construction times of new ships and therefore shipowners were forced to keep obsolete and less profitable ships in their fleets. The forced closures allowed them to finally rationalise their fleets by decommissioning the less profitable and most polluting ships, and replacing them with new ships currently under construction. The level of concentration is also low in the Seascape backlog as it is split between a large number of clients, none of which account for more than 19% of the total.

The US market of the Landscape division proved to be highly resilient and dynamic even during the most challenging months of the pandemic, completing ongoing projects and acquiring new ones. Environmental sustainability, economic stimulus plans and new office space concepts represent important growth opportunities for the company, which finds itself in the position of being a privileged partner to meet the new real estate requirements of large American corporations and government entities. The company confirms its plan to expand on both the West Coast and in the South of the United States, bolstered by a long-term incentive and retention plan for management.

Once again, the Group's "asset light" business model, its flexible production structure, well-established engineering expertise, in-house monitoring of all phases of production, investments executed and strengthened governance structure give the Group a competitive edge in a scenario of growth.

Finally, the Group has always been keen to form lasting partnerships and relationships with clients and suppliers, with a more general awareness of long-term sustainability issues. Somec's Italian operations are characterized by supply chain proximity, comprised by top quality small and medium enterprises. Although we hope that government measures to protect the valuable Italian manufacturing sector and the jobs it provides to Italian households are effective, Somec is setting up a monitoring system and providing contributions to support the supply chain.

Estimates for the year 2021 point to a full volumes recovery and a return to pre-COVID growth rates.

# Consolidated Financial Statements

Consolidated financial statements
as at 31 December 2020

# Financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *Amounts in €/000* | **Note** | **31/12/2020** | **31/12/2019** |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 1 | 16,056 | 12,194 |
| Intangible assets | 2 | 52,087 | 57,981 |
| Right-of-use assets | 4 | 18,944 | 18,694 |
| Investments in associates | 5 | 194 | 83 |
| Non-current financial assets | 6 | 282 | 1 |
| Other non-current assets | | 51 | - |
| Deferred tax assets | 7 | 2,123 | 1,248 |
| **Total non-current assets** | | **89,737** | **90,201** |
| **Current assets** | | | |
| Inventory and contract assets | 8 | 36,409 | 35,808 |
| Trade receivables | 9 | 65,520 | 57,921 |
| Other receivables | 10 | 8,967 | 7,549 |
| Tax receivables | 11 | 2,820 | 2,037 |
| Other current financial assets | 12 | 331 | 498 |
| Cash and cash equivalents | 13 | 41,843 | 29,428 |
| **Total current assets** | | **155,890** | **133,241** |
| **TOTAL ASSETS** | | **245,627** | **223,442** |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Group net equity** | | | |
| Share capital | 14 | 6,900 | 6,900 |
| Other reserves | 14 | 20,540 | 20,250 |
| Retained earnings | 14 | 10,945 | 12,259 |
| **Total Group net equity** | | **38,385** | **39,409** |
| Non-controlling interests | 14 | 6,880 | 9,194 |
| **Total net equity** | | **45,265** | **48,603** |
| **Non-current liabilities** | | | |
| Loans and financing | 15 | 42,329 | 31,612 |
| Other non-current financial liabilities | 16 | 27,194 | 27,241 |
| Other non-current liabilities | | 69 | - |
| Provisions for risks and charges | 17 | 470 | 344 |
| Net defined-benefit obligations | 18 | 4,381 | 2,301 |
| Deferred tax liabilities | 7 | 8,100 | 8,664 |
| **Total non-current liabilities** | | **82,543** | **70,162** |
| **Current liabilities** | | | |
| Trade payables | 19 | 43,940 | 47,465 |
| Other current liabilities | 20 | 7,769 | 7,255 |
| Contract work in progress and customer advances | 21 | 34,438 | 22,233 |
| Loans and financing | 15 | 26,417 | 20,059 |
| Other current financial liabilities | 16 | 4,563 | 6,705 |
| Income tax liabilities | 22 | 692 | 960 |
| **Total current liabilities** | | **117,819** | **104,677** |
| **Total liabilities** | | **200,362** | **174,839** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **245,627** | **223,442** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *Amounts in €/000* | Note | 2020 | 2019 |
|---|---|---|---|
| Revenues from contracts with customers | 23 | 222,068 | 249,971 |
| Other revenues and income | 24 | 1,356 | 1,422 |
| **Revenues** | | **223,424** | **251,393** |
| Raw materials and consumables | | (99,507) | (108,252) |
| Employee benefit expenses | 25 | (40,420) | (39,663) |
| Depreciation, amortisation and impairment | 26 | (20,908) | (11,666) |
| Other operating costs | 27 | (64,807) | (79,048) |
| **Operating profit (EBIT)** | | **(2,218)** | **12,764** |
| Financial expenses | 28 | (1,983) | (1,510) |
| Financial income | 28 | 4,951 | 253 |
| Other income (expense) | 29 | 660 | 78 |
| Income from associates | 30 | 112 | 67 |
| **Profit/(loss) before tax (EBT)** | | **1,522** | **11,652** |
| Income taxes | 31 | (42) | (3,092) |
| **Profit/(loss) for the period** | | **1,480** | **8,560** |
| Non-controlling interests | | (1,193) | 667 |
| **Group net income** | | **2,673** | **7,892** |
| | | | |
| **Earnings per share (in Euro)** | 32 | **0.39** | **1.14** |
| **Diluted earnings per share (in Euro)** | 32 | **0.39** | **1.14** |
| | | | |
| **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 | 14 | (291) | 334 |
| Net gains/(losses) on cash flow hedges | 14 | (175) | (210) |
| **Total other comprehensive income/(losses) that may be subsequently reclassified within profit/(loss), net of tax:** | 14 | **(466)** | **124** |
| **Other comprehensive income/(losses) that will not be subsequently reclassified within profit/(loss) for the period:** | | | |
| Gains/(losses) from remeasurement of defined benefit plans | 14 | (50) | (53) |
| **Total other consolidated comprehensive income that will not be reclassified to net income/(losses), net of tax:** | 14 | **(50)** | **(53)** |
| **Total other comprehensive income/(losses), net of tax:** | 14 | **(516)** | **72** |
| **Total income/(loss) net of tax** | | **964** | **8,631** |
| Attributable to: | | | |
| **Equity holders of the parent** | | **2,426** | **7,927** |
| **Non-controlling interests** | | **(1,462)** | **704** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

| *Amounts in €/000* | **Note** | **31/12/2020** | **31/12/2019** |
|---|---|---|---|
| Pre-tax profit | | 1,522 | 11,652 |
| *Reconciliation of net income to operating cash flow:* | | | |
| Depreciation and amortisation, excl. impairment write-downs | 26 | 15,145 | 11,559 |
| Impairment write-downs | 3 | 4,728 | - |
| Change in defined benefit obligations | | 767 | 176 |
| Change in Put and Call option liabilities | 28 | (4,779) | - |
| Other gains on acquisitions | 29 | (1,457) | - |
| Finance costs | | 1,983 | 1,242 |
| Finance income | | (172) | (10) |
| Net exchange rate changes | 29 | 797 | 78 |
| Change in fair value of financial derivatives | 14 | 111 | 26 |
| Income (loss) for the period from associates | 5-30 | (112) | (67) |
| (Capital gains)/Capital losses on sale of assets | | (1) | (16) |
| *Change in operating assets and liabilities:* | | | |
| Decrease/(Increase) in inventory and contract assets | | 4,417 | (11,392) |
| Increase/(Decrease) in contract work in progress and customer advances | 21 | 12,204 | (4,219) |
| Decrease/(Increase) in trade receivables | | (3,982) | (877) |
| Decrease/(Increase) in other receivables | | (1,131) | (441) |
| Increase/(Decrease) in trade payables | | (6,523) | 2,247 |
| Decrease/(Increase) in other current assets and liabilities | | (1,386) | 1,406 |
| Net change in provisions for risks and charges | | (181) | (34) |
| Income tax payments | | (3,396) | (5,079) |
| Interest received/(paid) | | (2,179) | (654) |
| **Cash flows generated (used) from operating activities (A)** | | **16,375** | **5,597** |
| *Investing activities:* | | | |
| Investments in property, plant and equipment | | (1,075) | (6,400) |
| Investments in intangible assets | | (1,371) | (1,103) |
| Investments in subsidiaries and associates | | - | (17) |
| Change in current and non-current financial assets | | 59 | 1,668 |
| Proceeds from sale of property, plant and equipment | | - | 54 |
| Settlement of price adjustment on business combination | | (1,268) | - |
| Acquisition of subsidiaries net of cash acquired | | (6,940) | (8,373) |
| **Cash flows generated (used) from investing activities (B)** | | **(10,594)** | **(14,172)** |
| *Financing activity:* | | | |
| Loans and financing granted | | 26,599 | 29,623 |
| (Repayments) | | (12,353) | (5,634) |
| Lease liability payments | 4 | (4,000) | (2,955) |
| Increase/(Decrease) in short term bank loans | | 1,709 | 1,309 |
| Increase/(Decrease) in parent company loans | | - | (2,800) |
| Settlement of payment for equity investments | | (781) | (1,159) |
| Dividends paid to parent company shareholders | | (3,450) | (3,450) |
| Dividends paid to minority shareholders | | (882) | (1,808) |
| Sale of minority interest | | - | 95 |
| **Cash flows generated (used) from financing activities (C)** | | **6,842** | **13,221** |
| **Increase (decrease) in cash and cash equivalents (A+B+C)** | | **12,622** | **4,646** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | | **29,428** | **24,934** |
| Net effect of exchange differences | | (208) | 152 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | **41,843** | **29,428** |

# 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **01/01/2019** | | **6,900** | **19,233** | **1,140** | **(1,676)** | **1,284** | **8,080** | **34,961** | **9,307** | **862** | **10,169** | **45,130** |
| 2018 profit allocation | | | | | | | | | | | | |
| - other reserves | | | | 240 | 1,169 | 6,671 | (8,080) | - | | | | |
| - dividends | | | | | | (3,450) | | (3,450) | (1,807) | (1) | (1,808) | (5,258) |
| Allocations to real-estate spin-off | | | (1,060) | | 1,060 | | | - | | | | - |
| Inoxtrend minority interest | | | | | | | | - | 95 | | 95 | 95 |
| Riclassification Hysea minorities | | | | | | (34) | | (34) | 34 | | 34 | - |
| Other | | | | | | 6 | | 6 | (1) | | (1) | 4 |
| *Other comprehensive income* (OCI) | | | | | | | | | | | | |
| - Defined benefit plans | | | | | (51) | | | (51) | (2) | | (2) | (53) |
| - Change in currency translation reserve | | | | | 405 | (109) | | 296 | 39 | | 39 | 335 |
| - Change in CFH reserve | | | | | (210) | | | (210) | | | | (210) |
| Net income for the period | | | | | | | 7,892 | 7,892 | | 667 | 667 | 8,560 |
| **31/12/2019** | | **6,900** | **18,173** | **1,380** | **697** | **4,367** | **7,892** | **39,409** | **7,665** | **1,528** | **9,193** | **48,602** |
| 2019 profit allocation | | | | | | | | | | | | |
| - other reserves | | | | | 1,867 | 6,025 | (7,892) | - | 1,529 | (1,528) | | - |
| - dividends | | | | | | (3,450) | | (3,450) | (882) | | (882) | (4,332) |
| Change in scope of consolidation | | | | | | | | | 30 | | 30 | 30 |
| *Other comprehensive income* (OCI) | 14 | | | | | | | | | | | |
| - Defined benefit plans | | | | | (50) | | | (50) | | | | (50) |
| - Change in currency translation reserve | | | | | (22) | | | (22) | (269) | | (269) | (291) |
| - Change in CFH reserve | | | | | (175) | | | (175) | | | | (175) |
| Net income for the period | | | | | | | 2,673 | 2,673 | | (1,193) | (1,193) | 1,480 |
| **31/12/2020** | | **6,900** | **18,173** | **1,380** | **2,317** | **6,942** | **2,673** | **38,385** | **8,073** | **(1,193)** | **6,880** | **45,265** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

## GENERAL INFORMATION

Publication of the Consolidated Financial Report of Somec S.p.A. and its subsidiaries ("Somec Group") for the period ended 31 December 2020 has been authorised by the Board of Directors, which approved the financial statements on 25th March 2021.

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 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 Market, 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 year end 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. Following the subscription of the reserved Share Capital increase issued by Fabbrica LLC for a total amount of 70,000 Euro, Fabbrica LLC owns directly the 70% of the company, while the remaining 30% is owned by the entrepreneur Gian Franco De Vidi, CEO of Fabbrica Works.

**Skillmax acquisition**

6 May 2020, Somec S.p.A. finalized the acquisition of the 60% of Skillmax S.r.l. (hereinafter Skillmax) in accordance with the press release dated 19 March 2020. The deal introduces Somec Group into the market of high-end turnkey interiors contract for the luxury retail and luxury hospitality, enlarging Landscape top-line offer to the indoor interior projects. The strategic potentiality will involve the Seascape division through operation synergies in Marine Public Area activities; Skillmax can supply productive capacity mainly to the controlled company Total Solution Interiors S.r.l. which fit out public area interiors in the marine sector.

**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**
4 August 2020, Borsa italiana S.p.A. (“Borsa Italiana”) set the start of trading of the Somec 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, amounting to Euro 1.2 million. The acquisition includes “Put and call” options on the remaining 20% minority stake, to be exercised within three months of approval of the financial statements as at 31.12.2023.

**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.

**Start of procedure of voluntary liquidation of Seatech**
23 December 2020, the BoD of Somec S.p.A., according to the company structure simplification process initiated with the merge of 3.0 Partners into the parent company Somec S.p.A. on September 2019, approved the procedure of voluntary liquidation of Seatech UK Ltd, the England based commercial subsidiary fully controlled by Somec Group.

## BASIS OF PREPARATION

The consolidated financial statements as at 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission and applicable at the reporting date.

The Consolidated 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.

For the purpose of comparison, the consolidated financial statements also include the statement of financial position as at 31 December 2019 and consolidated income statement figures for 2019.

The Consolidated 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;
- the explanatory notes containing all information required under current legislation and according to International Financial Reporting Standards, which is appropriately presented and refers to the accounting schedules.

The reporting currency of the Consolidated 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 Financial Statements have been audited by the independent auditing firm, EY S.p.A., external auditing firm of the Parent Company.

Please see the 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 2020 and the business outlook are provided.

## SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent company, Somec S.p.A. as at 31 December 2020, and those of the following directly or indirectly controlled subsidiaries on the same reporting date:

| Company | Registered office | % ownership | Currency | Share Capital |
|---|---|---|---|---|
| **Directly owned subsidiaries:** | | | | (currency unit) |
| 3.0 Partners USA Inc. | New York (USA) | 100% | USD | 10,000 |
| GICO S.p.A. | Vazzola (TV) | 80% (1) | EUR | 120,000 |
| Hysea S.r.l. | San Vendemiano (TV) | 90% | EUR | 100,000 |
| Inoxtrend S.r.l. | Santa Lucia di Piave (TV) | 90% | EUR | 122,222 |
| Navaltech LLC | Miami (USA) | 100% | USD | 1,000 |
| Oxin S.r.l. | Codognè (TV) | 100% | EUR | 100,000 |
| Pizza Group S.r.l. | San Vito al Tagliamento (PN) | 100% | EUR | 12,000 |
| Primax S.r.l. | San Vito al Tagliamento (PN) | 60% (2) | EUR | 1,030,000 |
| Seatech UK Ltd | Southampton (UK) | 100% | GBP | 100 |
| Skillmax S.r.l. | San Biagio di Callalta (TV) | 60% (3) | EUR | 500,000 |
| Somec Shanghai Co., Ltd | Shanghai (China) | 100% | CNY | 984,922 |
| Sotrade S.r.o. | Piestany (Slovakia) | 100% | EUR | 92,380 |
| Total Solution Interiors S.r.l. | Cantù (CO) | 60% (3) | EUR | 100,000 |

| **Indirectly owned subsidiaries and associates:** | | | | |
|---|---|---|---|---|
| Atelier de Façades Montréal Inc. | Montréal (Canada) | 50.90% | CAD | 100 |
| Fabbrica LLC | Delaware (USA) | 50.90% | USD | 9,935,407 |
| Fabbrica Works S.r.l. | San Biagio di Callalta (TV) | 35.63% (4) | EUR | 100,000 |
| Oxtrade Contract S.r.l. | Tg - Mures (Romania) | 60% | RON | 1,000 |
| Total Solution Interiors LLC | Miami (USA) | 60% | USD | 293,034 |

(1) The GICO S.p.A. acquisition includes “Put and Call” options on the minority stake, to be exercised within three months of approval of the financial statements as at 31.12.2023. Minority interests are not recognised in the consolidated income statement in light of the “Put and Call” options in place.

(2) The Primax S.r.l. 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.

(3) 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.

(4) The 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC. 35.63% is the related indirect ownership of Somec S.p.A. as at 31.12.2020

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, since the economic impact of the initial 15 days of the fiscal year 2020 is considered not relevant. 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. and GICO S.p.A., in May 2020 and July 2020, has been recognised in the accounts as of the acquisition date.

## BASIS OF CONSOLIDATION

The main criteria used to prepare the consolidated financial statements are as follows:

- the financial statements illustrating the financial condition of the subsidiaries are drawn up using the same accounting principles as the Parent Company or, alternatively and where necessary, appropriate adjustments are made to the financial statements of the subsidiaries, in order to ensure compliance with the Group's accounting policies;
- subsidiaries are fully consolidated from the date of acquisition, or from the date on which the Group acquires control and cease to be consolidated on the date on which control is transferred outside of the Group.
- control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Specifically, the Group has control only when it has power over the investee (or holds valid rights that enable it to manage the relevant activities of the investee), it is exposed or has rights to variable returns from its involvement with the investee, and it has the ability to use its power over the investee to affect the amount of the investor's returns. Generally, it is presumed that ownership of the majority of voting rights grants control, even if the Group considers all relevant facts and circumstances to determine its control of an investee, including contractual arrangements with other holders of voting rights, rights deriving from contractual agreements and voting rights and potential voting rights of the Group;
- the book value of investments in subsidiaries is offset against the related net equity based on the assumption that the assets and liabilities of subsidiaries are consolidated on a line-by-line basis.
- intercompany payables, receivables, income and expense are eliminated; profits and losses from intra-group transactions, including unrealised profit and losses, as well as all dividends paid/payable to Group entities, are eliminated;
- non-controlling interests are recorded separately under shareholders' equity; net income from non-controlling interests is reported separately in the consolidated income statement and in the consolidated comprehensive income statement.

### 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 3.0 Partners USA Inc., Atelier de Façades Montréal Inc., Fabbrica LLC, Navaltech LLC, Oxtrade Contract S.r.l., Seatech UK Ltd, Somec Shanghai Co., Ltd and Total Solution Interiors LLC, are as follows:

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

| Currency | 2020 | 2019 |
|---|---:|---:|
| Pound Sterling | 0.8897 | 0.87777 |
| US Dollar | 1.1422 | 1.1195 |
| Canadian Dollar | 1.5300 | 1.4855 |
| New Romanian Leu | 4.8383 | 4.7453 |
| Chinese Renminbi | 7.8747 | 7.7355 |

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

| Currency | 31/12/2020 | 31/12/2019 |
|---|---:|---:|
| Pound Sterling | 0.8990 | 0.8508 |
| US Dollar | 1.2271 | 1.1234 |
| Canadian Dollar | 1.5633 | 1.4598 |
| New Romanian Leu | 4.8683 | 4.7830 |
| Chinese Renminbi | 8.0225 | 7.8205 |

## SUMMARY OF MAIN ACCOUNTING STANDARDS

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments and contingent liabilities, which are recognised at *fair value*.

### Current/non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.
An asset is current when:

- it is realised, or is held for sale or consumption, in the Group's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within twelve months of the reporting date; or
- it consists of cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.
A liability is current when:

- it is expected to be settled in the Group's operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months of the reporting date; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification as current or non-current.
The Group classifies all other liabilities as non-current.
Tax assets and liabilities are classified as non-current assets and liabilities.

### Statement of cash flows

According to the provisions of IAS 7, the Group has prepared the statement of cash flows as follows:

- the cash flow statement has been prepared on the basis of the indirect method;
- pre-tax profit for the year has been reconciled with the net cash flows from operating activities;
- the Group has opted to treat interest received and paid as cash flows from operating activities.

### Property, plant and equipment

Property, plant and equipment (hereinafter also "tangible assets") are recognised at historical cost and are shown in the financial statements excluding the relative depreciation and any accumulated impairment losses. In particular, the cost of a property, plant or equipment, whether purchased or self-constructed, includes directly attributable charges and all costs necessary to bring the asset to the condition necessary for it to be capable of operating in the intended manner. This cost includes the replacement costs for some equipment or plants when they are incurred, if they comply with the recognition criteria. Each part of an item of PP&E with a cost that is significant in relation to the total cost of the item should be depreciated separately based on the specific useful life. Similarly, where major repairs and maintenance are required, the cost is included in the book value of the plant or equipment as in the case of replacement, when recognition criteria can be met.
Maintenance and repair costs, other than incremental expenditures, are recognised in the net profit for the period.
Tangible assets with a finite useful life are depreciated each financial year over their potential residual life. Depreciation commences when the asset is available and ready for use.
Assets are depreciated on a straight-line basis at a uniform rate until the end of their useful life. When the asset being depreciated is made up of distinctly identifiable parts, whose useful life differs significantly from that of the other parts, each part is depreciated separately, based on the component approach.
The depreciation rates are as follows:

| Category | Rate |
| --- | --- |
| Lightweight constructions | 10.00% |
| Plant, equipment | 5.00% - 10.00% |
| Large plant and machinery | 15.50% |
| Small tools and equipment | 25.00% - 35.00% |
| Furniture and ordinary office equipment | 12.00% |
| Electronic office equipment | 15.00% - 20.00% - 33.33% |
| Transport vehicles | 20.00% |
| Cars | 25.00% |

Land is not depreciated. The useful life of tangible assets and their salvage value are reviewed and updated where necessary, at least at the end of each financial year.
The book value of property, plant and equipment items and any significant component initially recognised is eliminated once the asset is sold (i.e. the date on which the buyer gains control of the asset) or when no future economic benefit is expected from its use or disposal. The gain/loss generated when the asset is derecognised (calculated as the difference between the net book value of the asset and the consideration received) is charged to the income statement when the item is eliminated.
For further information on the criteria adopted to identify and determine any impairment of property, plant and equipment, please see the paragraph on “Impairment of non-financial assets”.

## Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is determined as the sum of the consideration, measured at fair value on the date of acquisition, and the amount of the minority interest in the acquired asset. For each business combination, the Group establishes whether to measure the non-controlling interest in the newly acquired asset at fair value or in proportion to the share of the minority stake in the net identifiable assets of the acquired company. Acquisition costs are expensed during the year and classified under administrative expenses.
When the Group acquires a business, it classifies or designates the financial assets acquired or the liabilities assumed in accordance with the contractual terms, economic conditions and other relevant conditions in place on the acquisition date. This includes establishing whether an embedded derivative should be separated from the host contract.
Any contingent consideration to be paid is recognised by the buyer at fair value on the acquisition date. A contingent consideration classified as equity is not subject to remeasurement and its subsequent payment is accounted for with a contra-entry in shareholders’ equity. Changes in the fair value of the contingent consideration classified as an asset or liability, as a financial instrument that is subject of IFRS 9 - Financial Instruments, must be recognised in the income statement in accordance with IFRS 9. A contingent consideration that does not fall within the scope of IFRS 9 is measured at fair value on the reporting date and changes in fair value are recognised in the income statement.
Goodwill is initially recognised at cost, represented by the difference between the total consideration paid and the amount recorded for minority interests compared to the identifiable net assets acquired and the liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the total consideration paid, the Group again establishes whether it has correctly identified all assets acquired and liabilities assumed and reviews the procedures applied to determine the amounts to be recognised at the acquisition date. If the new valuation still shows that the fair value of the net assets acquired is higher than the consideration paid, the difference (gain) is recognised in the income statement.
Following initial recognition, goodwill is designated at cost excluding accumulated impairment losses. In order to conduct an impairment test, the goodwill acquired in a business combination is allocated from the acquisition date to each cash generating unit of the Group (Cash Generating Unit or CGU) or to the CGU that is expected to benefit from the synergies from the business combination, regardless of whether other assets or liabilities of the acquired entity are allocated to these units.
If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of the said unit, the goodwill associated with the divested business is included in the carrying amount of the asset when calculating the profit or the loss on the sale. The goodwill associated with the divested business is determined on the basis of the relative values of the divested business and the retained assets of the cash-generating unit.

## Intangible assets

Intangible assets are non-monetary assets that cannot be physically measured, are under the Group's control and are able to generate future economic benefits.
Intangible assets acquired separately are recognised at cost, while those acquired in business combinations are designated at fair value at the acquisition date. Following initial recognition, intangible assets are entered at cost less the related amortisation and any accumulated impairment losses. Internally-generated intangible assets, with the exception of development costs, are not capitalised and are recognised in the net income for the year at the time they are incurred.
Development costs are incurred as part of a plan or project for the production of new or substantially improved products or processes. These expenses are capitalised only if the cost can be reliably measured, the technical and commercial feasibility of the product or process can be established, the asset is likely to generate future economic benefits, and the Group intends and is able to complete the development and use or sell the intangible asset.
The useful life of intangible assets is classified as finite or indefinite.
Intangible assets with a finite life are amortised on a straight-line basis over their useful life and are subject to an assessment of the recoverable amount whenever there are signs of possible impairment.
The amortisation period and method applied are reviewed at the end of each financial year or more frequently where necessary. Changes in the expected useful life or in the way in which any future economic benefits arising from the intangible asset are rendered by the Group are recognised by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.
The gain or loss from the retirement or disposal of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in net income for the year upon disposal.
The Group does not record intangible assets with an indefinite useful life in the financial statements, with the exception of goodwill.
In addition to goodwill, intangible assets include non-patented technology, order backlog and customer relationships acquired in business combinations (please refer to the relevant paragraph for more details).
Customer relationships are amortised over the expected useful life of such relationships (5-10 years). The order book represents the expected residual value of existing orders on the acquisition date and is amortised on a straight-line basis based on the expected useful life of the orders. Their useful life is reassessed at the end of each year based on recorded and forecast customer turnover ("churn rate").
The amortisation rates that reflect the useful life attributed to intangible assets with a finite life are determined as follows:

| **Category** | **Useful life** |
|---|---|
| Development costs | 5 years |
| Licensed Software | 3 years |
| Non-patented technology (*know how*) | 5 - 10 years |
| Order backlog | contract duration (less than 3 years) |
| Customer relationships | 5 - 10 years |

## Right-of-use assets

When signing a contract, the Group assesses whether it is, or contains, a lease. In other words, whether or not the contract grants the right to use an identified asset for a period of time in exchange for a fee.
The Group adopts a single recognition and measurement model for all leases, with some exceptions relating to short-term leases and leases of low-value assets. The Group recognises lease liabilities and the right-of-use asset that represents the right to use the asset underlying the contract.

*Right-of-use assets*

The Group recognises right-of-use assets on the commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated amortisation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of recognised lease liabilities, the initial direct costs

incurred and the lease payments made at or before the commencement date, less any incentives received. Right-of-use assets are amortised on a straight-line basis from the commencement date to the end of the useful life of the underlying asset.
If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, the lessee must amortise the right-of-use asset from the commencement date until the end of the useful life of the underlying asset.
Right-of-use assets are subject to impairment.

*Lease liabilities*
At the commencement date, the Group measures the lease liability at the present value of lease payments that have not been paid at that date. Payments comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees. Lease payments also include the exercise price of a purchase option that the Group is reasonably certain to exercise, and payments of penalties for terminating the lease early, if the lease term reflects the Group exercising the option to terminate the lease itself.
Variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.
In calculating the present value of the lease liabilities, the Group uses the incremental borrowing rate at the commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Furthermore, the carrying amount of the lease liabilities is remeasured if there is a modification or a change in the lease term for a change in the lease payments. It is also remeasured if there is a change in the assessment of the option to purchase the underlying asset or changes to future payments resulting from a change in an index or rate used to determine such payments.
Lease liabilities are presented as Other financial liabilities, distinguishing between current and non-current liabilities.

*Short-term leases and leases of low-value assets*
The Group applies the exemption provided for by IFRS 16 for recognition of short-term leases and leases of low-value assets.
For these contracts, lease payments are recognised as expenses in the income statement on a straight-line basis over the lease term.

### Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such an indication or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is the greater of an asset or CGU's fair value less costs to sell, or its value-in-use. The recoverable amount is determined for individual assets, unless an asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If the carrying amount exceeds the recoverable amount, the asset is described as impaired. The carrying amount of the asset must be reduced to its recoverable amount.
In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.
The Group bases its value-in-use calculation on the latest budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. Budgets and forecasts generally cover a three-year period. A long-term growth rate is calculated to forecast future cash flows beyond the third year.
Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.
For assets other than goodwill, the Group assesses at the end of each reporting period whether there is any indication that a previously recognised impairment loss has reversed. If this is the case, the carrying amount of the asset or CGU is increased to its recoverable amount.
A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss

was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, when it is treated as a revaluation increase.
Goodwill is subject to an annual impairment review or more frequently when there is an indication that the carrying amount exceeds the recoverable amount.
Goodwill impairment is determined by assessing the recoverable amount of the CGU or relevant group of CGUs that gave rise to the goodwill. An impairment loss is recorded when the recoverable amount of the CGU is less than the carrying amount of the CGU to which goodwill has been allocated. Goodwill impairments cannot be reversed in future years.

## Investments in associates

An associate is an entity over which the Group has significant influence over the strategic decisions of the enterprise, or the power to participate in the financial and operating policy decisions of the investee, but does not have not control or joint control. Where an entity holds 20% to 50% of the voting power at the shareholders' meeting (directly or through subsidiaries) on an investee, it is presumed that the investor has significant influence, also considering the potential voting rights that are exercisable or convertible on the reporting date.
Investments in associates are required to be accounted for using the equity method. Initially recognised at cost, the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Goodwill from the associate is included in the carrying amount of the investment and is not subject to a separate impairment test.

## Financial instruments

Financial instruments held by the Group are recognised in the following line items:

- Investments in associates: accounted for using the equity method;
- Non-current financial assets: include non-current loans and receivables;
- Current financial assets: accounts receivable, short term loans, marketable securities, and other current financial assets (including the positive fair value of derivative financial instruments);
- Cash and cash equivalents and short-term investments: bank accounts and short-term, highly liquid investments that can be readily converted into cash and present minimal risk of changes in value.
- Financial liabilities: loans, other financial liabilities, negative fair value of derivative financial instruments, accounts payable and other liabilities.

Non-current financial liabilities, other than equity investments, are accounted for in accordance with IFRS 9, as in the case of current financial assets and liabilities.
All financial assets that fall within the scope of IFRS 9 are initially recognised at fair value and must subsequently be recognised at amortised cost or at fair value based on the Group's business model for financial assets and the asset's contractual cash flow characteristics.
More specifically:

- assets held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.
- assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value. Any changes are recognised in other comprehensive income (FVOCI).
- all other financial assets and investments in equity instruments are measured at fair value and changes are recognised at fair value through profit and loss (FVTPL).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Loans and receivables, which include trade receivables and other receivables, are measured at amortised cost. On the reporting date and during the previous reporting period used for the purposes of comparison, the Group had no financial assets measured at fair value with changes recognised in the comprehensive income statement or in the profit (loss) for the year.

Having said that, the Group can make the following irrevocable election at initial recognition:

- At initial recognition, the Group has the irrevocable option to present the subsequent changes in the fair value of investments in equity instruments, which are neither held for trading, nor a contingent consideration gained by a buyer in a business combination, in other comprehensive income.
- the Group has the irrevocable option to designate an investment in debt instruments that meets the amortised cost or FVTOCI criteria at fair value, with subsequent changes in profit (loss) for the year (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch.

During the 2020 financial year, the Group did not designate any debt instruments that meet the amortised cost or FVTOCI criteria at fair value through profit (loss) for the year.

Financial assets with no set ending or expiration date are measured at cost. Interest-free loans or loans below-market interest rates are discounted using the prevailing market rate.
Regular assessments are made in order to establish whether there is an indication that an asset, or group of assets, may be impaired. If any indication exists, the impairment loss must be recognised as an expense in the income statement for the period.
Trade receivables are initially recognised at their fair value and are subsequently presented net of bad debt provisions required to adjust the assets according to impairment criteria introduced by IFRS 9 (expected losses model). Bad debt provisions are recorded in the income statement.
Impaired accounts receivable are written-off when they are deemed to be uncollectible.
Receivables sold to a factor on a without recourse basis are eliminated when the contract provides for the transfer of ownership of the receivables, as well as ownership of the cash flows, risks and benefits generated by the asset itself.

Financial liabilities are initially recognised at fair value plus or minus directly attributable transaction costs, in the case of mortgages, loans and payables.
With the exception of derivative financial instruments, financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

## Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to the interest rate risk on some existing loans.
All derivative financial instruments are measured at fair value, in accordance with IFRS 9.
In compliance with IFRS 9, derivative financial instruments are recognised using the hedge accounting method when at inception of the hedging relationship there is formal designation and documentation of the hedging relationship and it meets all of the hedge effectiveness requirements based on an assessment of the “economic relationship” between the hedged item and the hedging instrument.
When financial instruments qualify for hedge accounting, the following accounting treatments apply:

- Fair value hedge: when a derivative financial instrument is designated as a hedge against exposure to fluctuations in the fair value of an asset or a liability in the financial statements attributable to a particular risk that can impact the income statement, the gain or loss arising from subsequent fair value measurement of the hedging instrument is recognised in the income statement. The gain or loss on the hedged item, attributable to the hedged risk, changes the carrying amount of the item and is recognised in the income statement.
- Cash flow hedge: if a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, that could impact the income statement, the effective part of any gain or loss on the derivative financial instrument is recognised as in equity. The accumulated profit or loss is reversed from equity and recognised in the income statement during the same

period in which the economic effect of the hedged transaction is recognised. The profit or loss associated with a hedge (or part of a hedge) that has become ineffective, is recognised in the income statement. If a hedging instrument or a hedging relationship has expired but the hedged transaction has not yet occurred, any accumulated gains or losses, recognised in shareholders' equity until then, are recorded in the income statement when the transaction takes place. If the hedge transaction is no longer expected to take place, any related cumulative gain or loss outstanding in equity will be recognised in the income statement.

If hedge accounting cannot be applied, the gains or losses deriving from the fair value measurement of the derivative financial instrument are immediately recognised in the income statement.

## Put and Call options over non-controlling interests

In the case of put options granted to minority shareholders, the Group records a financial liability at the present value of the strike price of the option. Upon initial recognition of the liability, this value is reclassified from shareholders equity, reducing the minority interest if the terms and conditions of the put option already grant the Group access to the economic benefits arising from the shareholding. The Group then books this interest as if it had already been acquired. The liability is subsequently remeasured at each reporting date, in accordance with IFRS 9. In other cases, the Group's accounting policy provides that: a) net income (loss) is allocated to non-controlling interest; b) non-controlling interests are reclassified from equity to liabilities at each reporting date; c) changes in the value of the liability are recognised in equity.

## Inventory

Inventory is measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and disposal. The cost of inventory of raw materials and consumables, and finished goods and goods for resale is determined using the average weighted cost.

Production costs include raw materials, direct labour costs and other production expenses (based on ordinary operating capacity). Financial charges are not included in inventory valuation.

Slow-moving materials or those that are no longer reusable in the ordinary production cycle are written down accordingly to align the value with the net realisable value.

## Net defined benefit obligations

Defined benefit plans are based on the working life and salary received by the employee over a defined period of service.

Severance indemnity ("trattamento di fine rapporto" – "TFR") is included under defined benefit plans. The amount recorded in the financial statements is subject to an actuarial assessment using the projected unit credit method. The discount rate reflects the market return on securities that vest at the same time as the obligation. The calculation includes severance indemnity pay already accrued for years of service already rendered without taking account of estimated future salary increases. Following amendments to "TFR" regulations introduced by Law 296 of 27/12/06, the conditions required to consider future salary increases in actuarial assumptions no longer exist.

Any actuarial gains or losses are recorded directly under "Other reserves" in shareholders' equity and recognised in the comprehensive income statement.

## Provisions for liabilities and charges

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which at the reporting date are either likely to be incurred, or certain to be incurred but uncertain as to the amount or as to the date on which they will arise.

Provisions are recognised when: i) the entity has a present legal or constructive obligation as a result of a past event; ii) it is probable that an outflow or economic benefits will be required to settle the obligation; iii) a reliable estimate can be made of the amount of the obligation.

If the Group has an onerous contract in place, the current obligation under the contract is recognised as a provision. Nonetheless, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to the contract. A contract in which the unavoidable costs (i.e. the costs the company cannot avoid because of the contract's existence) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract

reflect the lowest net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.
If the effect of the time value of money is material, the provision for an onerous contract is discounted at a pre-tax rate that reflects the specific risks of the asset, where appropriate. When a liability is discounted, the increase in the provision due to the passage of time is recognised as a financial expense.

### Revenue from contracts with customers - Contract assets - Contract liabilities for work in progress and customer advances

Revenue from contracts with customers is stated in the accounts based on the following 5 steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (ii) determine the transaction price; (iv) allocate the transaction price to the individual performance obligations in the contract; (v) recognise revenue when the Group satisfies a performance obligation.
Revenue from contracts with customers is recognised on the basis of the temporary transfer of control of goods and/or services to the customer. Revenues are recognised “over time” when control is transferred as the work is performed or services are provided, i.e. as the Group performs its obligations. Revenues are recognised “at a point in time” when control is not transferred as the work is performed or services are provided, i.e. upon final delivery of the goods or services.

The Group’s main revenue streams are as follows:

- revenue from contracted project work, in both the Seascape and Landscape divisions, particularly Building Façades revenue;
- revenue from production and sale of products, represented by revenue in the Professional Cooking Equipment division within the Landscape segment.

Contracted project work represents an obligation to perform work over time. During performance of contracted project work according to specific customer requirements, the Group applies the cost-to-cost input method, whereby revenues are accounted for on the basis of the input (costs) required to meet the performance obligations in proportion to the total expected input to complete the job (contract budget). The valuation is a best estimate of the cost of the project on the reporting date. The Directors base their estimates on information deriving from the Group’s internal reporting and forecasting system. Estimated costs and revenues are measured and, when necessary, revised at various stages of completion. Any economic effects are reported in the year in which adjustments are made.
When it is probable that the total cost exceeds the total contract revenue, the expected loss is recognised immediately in the income statement.
Revenue from production and sale of Professional Cooking Equipment products represents performance obligations at a point in time. Revenue from the sale of products is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Transfer of control coincides with the transfer of ownership or possession of the asset to the buyer and therefore generally upon the delivery or completion of the service.
For contracts with costs expressed in a currency other than the functional currency, revenue generated by the reporting date is converted into the functional currency, in the absence of hedging transactions, at the actual exchange rate (for invoiced work) and at the exchange rate at the end of the period (for work that has yet to be invoiced).
Holdbacks retained by the customer but subject to release are not acquired outright per the terms of the contract given that they are contingent on performance of obligations after delivery.
The Group generally receives short-term advances from its customers. If the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months, a significant financing arrangement does not affect the transaction price and so no adjustment for the time value of money is made.
The items are reported as follows:

- Contract assets: the right to consideration in exchange for goods or services that the Group has transferred to a customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the contract as a contract asset, excluding any amounts presented as a receivable. Contract assets are tested for impairment at the reporting date in compliance with IFRS 9.
- Receivables: are recognised when the Group’s right to consideration is unconditional.

The right to consideration is unconditional when only the passage of time is required before payment of the consideration is due. Impairment is measured in accordance with IFRS 9 at the end of the reporting period.

- Contract liabilities for work in progress and advance payments: the obligation to transfer goods or services to a customer for which the Group has received consideration. If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when payment has been made.

Contract assets and liabilities are presented net at the individual contract level in the consolidated statement of financial position:

- amounts due from customers for contract work in progress are shown as contract assets, when they exceed the sum of advances received;
- advance payments received for contract work are shown as liabilities for contract work in progress and advances, when they exceed the amount due from customers.

This analysis is performed on a project-by-project basis.

## Costs of obtaining a contract

Costs incurred to fulfil a contract are recognised as an asset if all of the following criteria are met:

a) the costs relate directly to a contract or a specific identified contract;
b) the costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
c) the costs are expected to be recovered.

Capitalised costs incurred to fulfil a contract are amortised on a systematic basis consistently with the transfer of the goods or services to which the asset relates.

## Dividends

Dividends from subsidiaries are recognised in the income statement when:

a) the Group’s right to receive payment is established;
b) it is probable that the economic benefits associated with the dividend will flow to the Company;
c) the amount of the dividend can be measured reliably.

Distribution of dividends to shareholders of the Parent company is recognised as a liability in the consolidated financial statements once authorised by the Shareholders.

## Financial income and expenses

Financial income includes interest on investments, gains on changes in the fair value of derivatives and gains on hedging instruments recognised in profit and loss. Interest income is recognised through profit or loss on an accruals basis using the effective interest rate method.
Financial expenses include interest on liabilities measured at amortised cost, losses on changes in the fair value of derivatives, losses on hedging instruments recognised in profit and loss, cash discounts, as well as factoring expenses. Costs arising from liabilities measured at amortised cost are recognised in profit and loss using the effective interest rate method.
The Group did not report any capitalised financial charges among the asset items.

## Costs

Costs are recognised on an accruals basis.

## Grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and the grant will be received.
Government grants for property, plant and equipment are recognised as unearned income under “Other non-current liabilities”. Unearned income is recognised in the income statement on a straight-line basis determined based on the useful life of the asset to which the grant is directly attributable.
Grants other than those related to assets are recognised in the income statement under the item “Other operating income”.

## Income tax

Income tax for the year is the sum of current and deferred tax items. Income tax is reported in the income statement, except for that arising from transactions recognised immediately as equity.
Current tax is an estimate of the amount of income taxes due on taxable income for the year, determined by applying the tax rates in force or essentially in force on the reporting date and any adjustments to the amount due from previous years.
Deferred tax assets are calculated on the temporary differences between the book value and tax value of assets and liabilities.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the assets can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the tax benefit will be realisable.

## Earnings per share

Basic EPS is calculated by dividing the profit attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.
Diluted EPS is calculated by dividing the profit attributable to equity holders of the Parent by the weighted average number of shares outstanding during the period plus the effects of all potential dilutive ordinary shares.

## NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not adopted any new standards, interpretations or amendments that are in issue but not yet effective.

Several amendments and interpretations were effective for the first time in 2020, but did not impact the Group's consolidated financial statements.

*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 an output; Furthermore, it clarified that a business can exist without including all the inputs and processes needed to create an output. These changes did not have an impact on the Group's consolidated financial statements and 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 provide a number of practical expedients to be applied to hedging relationships that are directly impacted by the interest rate benchmark reform. A hedging relationship is impacted by uncertainties, due to the reform, regarding the timing or amount of interest rate benchmark-based cash flows of the hedged item or hedging instrument. These amendments do not have a significant impact on the Group's consolidated financial statements even though the Group has interest rate hedging arrangements in place.

*Amendments to IAS 1 and IAS 8: Definition of material*
The amendments provide a new definition of material: information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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 financial statements and are not expected to have an impact 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 changes did not have an impact on the Group's consolidated financial statements.

*Amendments to IFRS 16 COVID-19 Related Rent Concessions*
On 28 May 2020 the IASB published an amendment to IFRS 16. The amendment permits lessees not to apply the requirements of IFRS 16 on the accounting effects of lease modifications occurring as a direct consequence of COVID-19. The amendment introduces a practical expedient permitting lessees not to assess whether particular reductions in lease payments represent lease modifications. A lessee that opts to use this practical expedient recognises rent concessions as if they are not lease modifications within the scope of IFRS.
The amendments are applicable to financial statements for periods as of 1 June 2020. Early application is permitted. These changes did not have an impact on the Group's consolidated financial statements.

## STANDARDS ISSUED BUT NOT YET EFFECTIVE

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that if an embedded derivative in a convertible liability is itself an equity instrument, the maturity of the liability has no impact on its classification.

The amendments are required to be applied for annual periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently considering whether some of the amendments may impact its current practice and whether the terms of its existing loan agreements should be reconsidered.

*Conceptual Framework – Amendments to IFRS 3*
In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting that was issued in March 2018, without significantly changing its requirements.
In addition, the Board added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies if incurred separately.
At the same time, the Board decided to clarify that the guidance existing in IFRS 3 for contingent assets will not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
The amendments are required to be applied for annual periods beginning on or after 1 January 2022 and must be applied prospectively.

*Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced in the period in which the asset is brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, a company recognises such sales proceeds and related cost in profit or loss.

The amendment is required to be applied for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to Property, plant and equipment made available for its intended use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.
The amendments are not expected to have a significant impact on the Group.

*Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous or loss-making.
The amendments apply the "Directly related costs approach". Costs that are directly attributable to a contract for the supply of goods or services include both inherent costs and an allocation of costs directly attributable to the contract assets. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a significant impact on the Group.

*Amendments to IAS 8 - Accounting Policies, Changes to Accounting Estimates and Errors*
On 12 February 2021, the IASB issued amendments to IAS 8 Accounting Policies, Changes to Accounting Estimates and Errors, in which it introduces a new definition of "accounting estimates". The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments become effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments are not expected to have a significant impact on the Group.

*Amendments to IAS 1 - Presentation of Financial Statements*
In February 2021, the IAB issued amendments to IAS 1 Presentation of Financial Statements to provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The IASB also issued amendments to the IFRS Practice Statement 2 Making Materiality Judgements (the PS) to align it with the revised definition of material in IAS 1, and to explain and demonstrate the application of the "four-step materiality process" to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their significant accounting policies with a requirement to disclose their material accounting policies, and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a significant impact on the Group.

## 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.
As for the Group's business sectors, below are the categories of items 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.

*Revenues from contracts with customers, contract assets/liabilities for work in progress to order*
For revenues from contracts with customers for contract work and assets and liabilities for contract work in progress, the application of the cost-to-cost method requires that a prior estimate of the total cost of the individual projects is made and updated on each reporting date, based on the use of assumptions by the Directors.

The profit margins for the entire project upon completion are recognised in the income statements for each year based on the stage of completion; accordingly, correct recognition of work in progress and margins on contracts that have not yet been completed requires management to make a careful estimate of the final costs and expected increases as well as delays, extra costs and penalties that could reduce the expected margin. The Company has adopted contract management and risk analysis methods designed to identify, monitor and quantify the risks associated with performance of such contracts. The amounts shown in the financial statements represent management's best estimates at the reporting date.
These facts and circumstances make it difficult to estimate the costs of completing projects and, consequently, to estimate the value of the contract assets or liabilities for contract work in progress at the reporting date.

*Deferred tax assets (prepaid taxes)*
Deferred tax assets are recognised based on the assumption that the company will generate taxable income in future years. Projections of future taxable income for the purposes of deferred tax asset recognition depend on factors that may vary over time and have a significant impact on the recoverability of deferred tax assets. The book value of deferred tax assets is shown in note 7.

*Provisions for liabilities and charges*
The Directors make estimates to measure liabilities and charges. More specifically, the Directors use estimates and assumptions to determine the probability that an actual liability will arise, and, if the risk is deemed probable, to determine the amount of provisions required to offset this risk.

*Impairment of non-financial assets*
The Group's tangible and intangible assets are subject to impairment tests at least once per year if they have an indefinite useful life, or more frequently if there is any indication that their carrying amount is not recoverable.
Directors may use accounting discretion to determine the amount of asset impairment to be recognised in the financial statements. Directors estimate the potential impairment of fixed assets and equity investments in relation to the future cash flows attributable to the assets.
The recoverable amount is heavily influenced by the discount rate used in the discounted cash flow model. Identification of Cash Generating Units (CGU) is also affected by management's judgement, which can affect the recoverability of the carrying amounts.
Further details on Goodwill are shown in note 2.

*Put and call option liabilities*
At the end of each reporting period, the Group measures the present value of the strike price of options written over non-controlling interest. It estimates the discount rate and assesses the terms of the Put and Call options envisaged with minority shareholders. The effect of remeasurement of the NCI put/call liability is recognised in profit or loss. For more details, please see note 16 on Other financial liabilities.

*Leases - estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease and therefore applies the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no data exists or interest rates must be adjusted to reflect the terms and conditions of the lease, the Group must estimate its incremental borrowing rate.
The Group estimates the incremental borrowing rate based on observable data (such as market interest rates) where available, as well as making specific considerations regarding its credit profile.

*Significant judgements required to determine the lease term of contracts that contain an extension option*
The Group estimated the lease term of its contracts which include a renewal option. The Group's assessment of the existence or otherwise of reasonable certainty that it will exercise the option affects the estimate of the lease term, significantly impacting the amount of the lease liability and the recognised right-of-use assets.

The Group analysed all its lease agreements and defined the lease term for each one, provided by the “non-cancellable” period and the effects of any extension or early termination clauses which it determined it was reasonably certain to exercise. More specifically, assessments of property leases considered the specific circumstances of each asset. As for other categories of assets, mainly company cars and equipment, the Group generally determined that it was not likely to exercise any extension or early termination options, in line with normal Group policy. For more details, please see note 4.

*Determination of useful life of assets*
The Group determines the useful life of the items Property, plant and equipment, intangible assets with a finite useful life, as well as right-of-use assets. To estimate useful life, including that of assets arising from business combinations (order book, customer list and know-how), management applies widely used valuation methods, based on experience and knowledge of the sector. Useful life is reviewed at the end of each reporting period.

*Employee benefit plans*
The carrying amount of defined benefit plans is determined using actuarial assumptions based on estimated discount rates, expected interest rates, future salary increases, mortality rates and future pension increases.
The Group considers the discount rate for the actuarial valuation on the reporting date to be fair, but future significant changes in rates may have substantial effects on the liability recognised in the financial statements. For more details, please see note 18.

*Impacts of Covid-19*
The coronavirus began to spread rapidly as of December 2019, originating in some regions of China and gradually proliferating all over the globe. The governments of most countries, including Italy, adopted restrictive measures in an effort to contain the spread of the virus. These measures include restrictions on travel and movement of people as well as the closure of manufacturing plants and offices. In compliance with these measures, the Group suspended operations at its Italian production 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. Although the discovery and ongoing rollout of vaccines are offering us an extremely positive glimpse of a return to normality, at present it is too early to predict when this will happen. There is no way to tell 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, although the Group has always adopted a strategy of proximity to its customers and has a short and controlled production chain, the operations of the Group’s suppliers and customers could be subject to limitations or interruptions. In order to mitigate this risk, when news of the spread of the pandemic first broke, the Group promptly appointed an internal Task Force to manage the crisis, and immediately adopted a policy to support suppliers and clients, while also taking decisive action and implementing strict procedures to safeguard the health of its employees and preserve the business.
In preparing the consolidated financial statements, the potential existence of impairment indicators for all the Group’s CGUs was assessed, partly in consideration of the possible impacts from Covid-19 on their assets. At the Somec Group level, the Parent company’s market cap as at 30 December 2020, the last day of trading of the year, was greater than the consolidated net equity on the reporting date, and the Group’s sizeable order backlog increased during the course of 2020, from Euro 638 million as at 31 December 2019 to Euro 767 million as at 31 December 2020.
For further details, please see note 3 Impairment test.

## BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY SHAREHOLDINGS

*Pizza Group S.r.l. acquisition*
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 | 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 purchase price allocation for the business combination is final.
The subsidiary was included in the consolidated financial statements for the full year 2020.

*Skillmax S.r.l. acquisition*
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 2,667 thousand, based on the new 2021-2023 3-year plan.

The consideration is summarised in the following table:

| *(Amounts in €/000)* | |
|---|---|
| Provisional price payment for 60% | 2,600 |
| Additional payment | 355 |
| Payable for purchase of minority interests (Put & call option) | 2,667 |
| **Total consideration** | **5,622** |

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.

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** | **2,998** |
| Property, plant and equipment | 190 |
| Intangible assets | 1,967 |
| Right-of-use assets | 528 |
| Non-current financial assets | 266 |
| Deferred tax assets | 47 |
| **Current assets** | **2,834** |
| Inventory and contract assets | 996 |
| Trade receivables | 995 |
| Other receivables | 103 |
| Tax receivables | 91 |
| Cash and cash equivalents | 649 |
| **Total assets** | **5,832** |
| **Non-current liabilities** | **(1,537)** |
| Loans and financing | (378) |
| Other non-current financial liabilities | (395) |
| Provisions for risks and charges | (45) |
| Net defined benefit obligations | (142) |
| Deferred tax liabilities | (577) |
| **Current liabilities** | **(1,510)** |
| Trade payables | (955) |
| Other current liabilities | (171) |
| Contract work in progress and advance payments from customers | (113) |
| Loans and financing | (63) |
| Other current financial liabilities | (133) |
| Tax liabilities | (75) |
| **Total liabilities** | **(3,047)** |
| **Total net assets at fair value** | **2,785** |
| **Goodwill on business combination** | **2,837** |
| **Consideration paid** | **5,622** |

During the business combination, the Group identified an off-balance sheet intangible asset with a finite useful life, i.e. know-how of the acquired company in its business sector amounting to Euro 1,943 thousand, before tax (Euro 542 thousand), to which the Directors opted to assign a useful life of five years.
The difference between the total consideration and the fair value of the identified net assets was recognised as goodwill amounting to Euro 2,837 thousand, which the Directors determined was recoverable in consideration of the estimated cash flows expected from the investment.
The consolidated financial statements include the net profit of Skillmax S.r.l. on the acquisition date. Had the acquisition of Skillmax taken place at the beginning of the year, sales and service revenues would have amounted to Euro 4,074 thousand, whilst the result for the full year would have been negative, at -Euro 237 thousand. Gross receivables at the acquisition date stood at Euro 1,045 thousand.
The purchase price allocation for the business combination is final.

*GICO S.p.A. acquisition*
On 15 July 2020, Somec S.p.A. completed the acquisition of 60% of GICO - Grandi Impianti Cucine S.p.A.. On 2 September 2020, the Parent Company subscribed to a reserved capital increase, including a share premium, as a result of which it now owns 80% of the share capital of GICO.

The agreement also provides for a Put and Call option on the remaining 20% stake within three months of the approval of the financial statements as at 31 December 2023, with valuation criteria based on the 2023 EBITDA result and the net financial position at 31 December 2023.
The consideration consists of an initial payment of Euro 400 thousand, the payment of the deferred instalment of Euro 200 thousand, the reserved capital increase of Euro 1,200 thousand and the present value of the fair value of the Put and Call option on the residual minority interests, amounting to Euro 386 thousand.

| *(Amounts in €/000)* | |
|---|---|
| Price payment for 60% | 400 |
| Price payment for 60% (deferred) | 200 |
| Reserved capital increase | 1,200 |
| Put & Call option liabilities | 386 |
| **Total consideration** | **2,186** |

At the reporting date, the fair value of net assets acquired (Purchase price allocation) had not been determined by the Directors.

The provisional fair values of the identifiable assets and liabilities on the acquisition date are as follows:

| *(Amounts in €/000)* | **Acquisition-date provisional fair value** |
|---|---|
| **Total assets** | **3,861** |
| **Total liabilities** | **(3,139)** |
| **Total net assets at provisional fair value** | **722** |
| **Goodwill on business combination** | **1,464** |
| **Consideration paid** | **2,186** |

The net book value of the company at the acquisition date was Euro 722 thousand. Consequently, the business combination led to the provisional recognition of goodwill to the amount of Euro 1,464 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 the Directors deem to be recoverable in light of the estimated returns expected on the investment.
The consolidated financial statements incorporate the net profit of GICO S.p.A. from the date of acquisition. Had the acquisition of GICO taken place at the beginning of the year, sales and service revenues would have amounted to Euro 3,773 thousand, whilst the full year result would have been negative, at -Euro 676 thousand. Gross receivables at the acquisition date amounted to Euro 1,025 thousand.

## OPERATING SEGMENT REPORTING

In compliance with IFRS 8, the Group opted to define the following operating segments:

- Seascape*:* design, customised production and installation of innovative glazing elements used in the construction of new cruise ships, and the design, production and installation of custom-made catering areas for cruise ships and outfitting of public spaces on ships.
- Landscape ad-hoc design, customised production and installation of façades, and custom made, high quality, innovative external fittings for office, retail, government and public buildings, we well as production of professional cooking equipment.

The aforementioned operating segments were identified on the basis of the following considerations:

- they engage in business activities from which they may earn revenues and incur expenses whose operating results are reviewed regularly by the operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;
- they are subject to internal reporting disclosure;
- separate financial statement information is available;
- the sectors are entirely independent of each other.

During the year 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 period, 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 period, Skillmax S.r.l. and GICO S.p.A, which was consolidated from the acquisition date (respectively in May 2020 and July 2020), within the Landscape operating sector.

The following tables show the revenues and net income of the Group's operating segments for the periods ended 31 December 2020 and 2019:

### Results by operating segment as at 31 December 2020

| | Seascape | Landscape | Segments total | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues from contracts with customers | 132,071 | 90,662 | 222,733 | (665) | 222,068 |
| Other revenues and income | 945 | 421 | 1,366 | (10) | 1,356 |
| Intra-segment revenues | 6,057 | 4,393 | 10,450 | (10,450) | - |
| **Revenues** | **139,073** | **95,476** | **234,549** | **(11,125)** | **223,424** |
| Raw materials and consumables | (52,348) | (47,823) | (100,171) | 664 | (99,507) |
| Employee benefit expense | (21,051) | (19,369) | (40,420) | - | (40,420) |
| Depreciation, amortisation and other write-downs | (10,451) | (10,457) | (20,908) | - | (20,908) |
| Other operating costs | (46,440) | (18,390) | (64,830) | 23 | (64,807) |
| Income from associates | 112 | - | 112 | - | 112 |
| Adjustments and eliminations | (6,057) | (4,393) | (10,450) | - | - |
| **Segment net income** | **2,839** | **(4,956)** | **(2,117)** | **3,639** | **1,522** |

## Results by operating segment as at 31 December 2019

| | Seascape | Landscape | Segments total | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenues from contracts with customers | 157,168 | 92,818 | 249,986 | (14) | 249,971 |
| Other revenues and income | 1,512 | 85 | 1,596 | (174) | 1,422 |
| Intra-segment revenues | 9,571 | 3,274 | 12,845 | (12,845) | - |
| **Revenues** | **168,250** | **96,177** | **264,427** | **(13,033)** | **251,393** |
| Raw materials and consumables | (61,523) | (46,729) | (108,252) | - | (108,252) |
| Employee benefit expense | (21,313) | (18,350) | (39,663) | - | (39,663) |
| Depreciation, amortisation and other write-downs | (3,652) | (8,014) | (11,666) | - | (11,666) |
| Other operating costs | (59,551) | (19,687) | (79,237) | 189 | (79,048) |
| Income from associates | - | 67 | 67 | - | 67 |
| Adjustments and eliminations | (9,571) | (3,274) | (12,845) | - | - |
| **Segment net income** | **12,641** | **189** | **12,831** | **(1,179)** | **11,652** |

Financial income and expenses, gains and losses on fair value adjustments of some financial assets and liabilities are not allocated to an individual segment as the underlying instruments are managed at the Group level. These items are included in adjustments and eliminations for the purpose of segment reporting.

**Reconciliation of income**

| | 2020 | 2019 |
|---|---|---|
| **Segment net income** | **(2,117)** | **12,831** |
| Financial expenses | (1,983) | (1,510) |
| Financial income | 4,951 | 253 |
| Other revenues | 660 | 78 |
| Net effect of eliminations between segments | 11 | 1 |
| **Profit before tax** | **1,522** | **11,652** |

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

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

| | Seascape | Landscape | Segments total | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|
| **Segment assets** | | | | | |
| as at 31/12/2020 | 132,129 | 108,554 | 240,683 | 4,944 | **245,627** |
| as at 31/12/2019 | 146,320 | 73,837 | 220,157 | 3,285 | **223,442** |
| **Segment liabilities** | | | | | |
| as at 31/12/2020 | (123,856) | (67,713) | (191,569) | (8,792) | **(200,361)** |
| 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 31 December 2020 and 31 December 2019:

| **Revenues** | **2020** | **2019** |
|---|---|---|
| Italy | 47,630 | 63,638 |
| EU | 64,470 | 63,280 |
| Non-EU | 111,324 | 124,475 |
| **Total** | **223,424** | **251,393** |

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:

| | **2020** | **%** | **2019** | **%** |
|---|---|---|---|---|
| **Total Revenues** | **223,424** | **100.0%** | **251,393** | **100.0%** |
| *Client 1* | *34,866* | *15.6%* | *69,237* | *27.5%* |
| *Client 2* | *32,399* | *14.6%* | | |
| *Client 3* | *26,494* | *11.9%* | | |

# FINANCIAL HIGHLIGHTS

## Note 1: Property, plant and equipment

The following table provides a detailed breakdown of the item and the changes in tangible assets as a result of acquisitions, sales/disposals, depreciation for the year, any write-downs or write-backs, and any effects arising from extraordinary transactions.

| | Land and buildings | Plant and machinery | Industrial and commercial equipment | Other assets | Unscheduled maintenance of leased assets | Payments on account and assets in course of construction | Total |
|---|---|---|---|---|---|---|---|
| Historical cost | 152 | 6,844 | 1,819 | 2,061 | 1,193 | 445 | 12,514 |
| Accumulated depreciation | (39) | (2,082) | (1,147) | (1,125) | (173) | - | (4,566) |
| **Net Book Value as at 01/01/2019** | **114** | **4,762** | **671** | **936** | **1,020** | **445** | **7,948** |
| **Changes in 2019** | | | | | | | |
| Business combinations | - | 129 | 39 | 359 | - | - | 527 |
| Investments | 183 | 1,740 | 643 | 572 | 2,532 | 754 | 6,424 |
| Net disposals | - | (6) | (17) | (23) | - | - | (46) |
| Other changes / reclassifications | - | 395 | 12 | 21 | - | (428) | - |
| Depreciation | (26) | (1,200) | (344) | (348) | (742) | - | (2,660) |
| **Closing Net Book Value** | **271** | **5,820** | **1,004** | **1,517** | **2,810** | **771** | **12,194** |
| Historical cost | 336 | 9,342 | 2,721 | 3,018 | 3,894 | 771 | 20,082 |
| Accumulated depreciation | (65) | (3,522) | (1,717) | (1,500) | (1,084) | - | (7,888) |
| **Net Book Value as at 31/12/2019** | **270** | **5,820** | **1,004** | **1,518** | **2,810** | **771** | **12,194** |
| **Changes in 2020** | | | | | | | |
| Business combinations | 3,850 | 1,951 | 148 | 230 | 51 | - | 6,230 |
| Investments | 2 | 560 | 284 | 279 | 868 | 31 | 2,024 |
| Net disposals | - | - | (1) | (176) | - | - | (177) |
| Other changes / reclassifications | (12) | (273) | 4 | 6 | (177) | (400) | (852) |
| Depreciation | (173) | (1,531) | (459) | (462) | (738) | - | (3,363) |
| **Closing Net Book Value** | **3,937** | **6,527** | **980** | **1,395** | **2,814** | **402** | **16,056** |
| Historical cost | 4,925 | 14,593 | 4,451 | 4,333 | 4,385 | 402 | 33,089 |
| Accumulated depreciation | (987) | (8,066) | (3,472) | (2,938) | (1,569) | - | (17,032) |
| **Net Book Value as at 31/12/2020** | **3,937** | **6,527** | **980** | **1,395** | **2,814** | **402** | **16,056** |

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 as at 31 December 2020 of Euro 3,701 thousand.

The increase in the items Plant and machinery refers to Euro 1,951 thousand from business combinations during the period, in addition to Euro 560 thousand of investments in the period.

Over half of the item Investments in Industrial and commercial equipment and other assets refers to investments by the Parent Company.

Investments in Extraordinary maintenance of leased assets are mainly attributable to Fabbrica LLC.

## Note 2: Intangible assets

The following table provides detailed information on the breakdown of the item and the changes in intangible assets due to acquisitions, sales/disposals, amortisation for the year, any write-downs or write-backs, and any effects deriving from extraordinary transactions.

| | Goodwill | Development costs | Patents and know how | Concessions, licences, trademarks and similar rights | Other intangible assets | Contract cost assets and advances | Total |
|---|---|---|---|---|---|---|---|
| Historical cost | 19,995 | 332 | 10,672 | 678 | 15,260 | - | 46,937 |
| Accumulated depreciation | (2,808) | (66) | (1,980) | (159) | (2,239) | - | (7,253) |
| **Net Book Value as at 01/01/2019** | **17,186** | **266** | **8,692** | **518** | **13,021** | **-** | **39,684** |
| **Changes in 2019** | | | | | | | |
| Business combinations | 11,108 | - | 6,684 | - | 4,972 | - | 22,764 |
| Investments | 76 | 586 | 113 | 453 | 135 | 138 | 1,502 |
| Net disposals | - | (2) | (37) | - | (316) | (67) | (422) |
| Other changes / reclassifications | - | - | 733 | (733) | - | - | - |
| Amortisation | - | (185) | (2,641) | (201) | (3,039) | - | (6,066) |
| Exchange differences | 113 | - | 143 | - | 261 | - | 518 |
| **Closing Net Book Value** | **28,483** | **666** | **13,687** | **38** | **15,035** | **71** | **57,981** |
| Historical cost | 31,292 | 917 | 18,294 | 398 | 20,313 | 71 | 71,284 |
| Accumulated depreciation | (2,808) | (251) | (4,606) | (360) | (5,278) | - | (13,303) |
| **Net Book Value as at 31/12/2019** | **28,483** | **666** | **13,687** | **38** | **15,035** | **71** | **57,981** |
| **Changes in 2020** | | | | | | | |
| Business combinations | 4,301 | - | 2,007 | 30 | 806 | - | 7,144 |
| Investments | - | - | 167 | - | 770 | 187 | 1,124 |
| Net disposals | - | - | - | - | (21) | - | (21) |
| Other changes / reclassifications | 5 | - | - | - | - | (66) | (61) |
| Write-downs | (4,727) | - | - | - | - | - | (4,727) |
| Amortisation | - | (183) | (3,781) | (16) | (3,806) | - | (7,786) |
| Exchange differences | (507) | - | (390) | - | (670) | - | (1,567) |
| **Closing Net Book Value** | **27,555** | **483** | **11,690** | **52** | **12,114** | **193** | **52,087** |
| Historical cost | 30,363 | 915 | 19,972 | 142 | 21,452 | 193 | 73,037 |
| Accumulated depreciation | (2,808) | (432) | (8,282) | (89) | (9,339) | - | (20,950) |
| **Net Book Value as at 31/12/2020** | **27,555** | **482** | **11,690** | **52** | **12,114** | **193** | **52,087** |

Investments for the year, at Euro 1,124 thousand, mainly include capitalisation of costs for obtaining contracts for Fabbrica LLC, referring to surety bonds amortised throughout progression of the order. Amortisation for the year amounted to Euro 34 thousand, with a net book value at 31 December 2020 of Euro 719 thousand.

*Goodwill*

Goodwill acquired through business combinations carried out by Somec Group in 2020 and previous years amounted to a total of Euro 27,555 thousand as at 31 December 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, Primax, Pizza Group and GICO) 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 | Professional Cooking Equipment | Oxin | TSI | Hysea | Skillmax | Total |
|---|---|---|---|---|---|---|---|
| 31 December 2020 | 5,493 | 7,078 | 5,685 | 6,379 | 83 | 2,837 | **27,555** |
| 31 December 2019 | 6,000 | 5,614 | 5,685 | 11,108 | 76 | - | **28,484** |

The changes during the period are attributable to:

- allocation of the price paid in the business combinations of Skillmax and GICO (included into the Professional Cooking Equipment CGU), the latter of which is still provisional. For more details, please see the “Business combinations” section of these explanatory notes;
- the goodwill write-down for the TSI CGU, following an impairment test.

For details on the other CGUs and assessments of impairment indicators, as well as the results of the tests, please see Note 3.

*Development costs*

Development costs, amounting to Euro 483 thousand at 31 December 2020, refer entirely to the production of new products in the industrial oven sector.

*Patents and know how*

The item “Patents and know how”, amounting to Euro 11,071 thousand as at 31 December 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 Fabbrica 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 upon allocation of the price paid for the Primax S.r.l. acquisition, which took place at the end of 2018, for the acquisition of Total Solution Interiors S.r.l. in 2019, and the acquisition of Skillmax S.r.l., which took place during the year.
The net book value of the know-how acquired at 31 December 2020 amounted to a total of Euro 11,068 thousand (Euro 12,906 thousand 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** |
| Skillmax business combinations | 1,943 |
| Amortisation | (3,427) |
| Exchange differences | (354) |
| **Net Book Value as at 31/12/2020** | **11,068** |

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 and the business combinations of Skillmax, 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 12,305 thousand as at 31 December 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.. As 31 December 2020, the net book value of the intangible asset “Customer relationships” amounted to Euro 11,093 thousand and the NBV of “Order Backlog” amounted to Euro 198 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 | (1,594) | (2,134) |
| Exchange differences | (637) | (31) |
| **Net Book Value as at 31/12/2020** | **11,093** | **198** |

To calculate the value of backlog and relationships with customers from Fabbrica and TSI business combinations, realized in previous years, 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 (the useful life of this intangible asset in Pizza Group was set at five years) 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.

The item “Other intangible assets” includes costs capitalised during the year to the amount of Euro 719 thousand, pertaining to the contract cost assets of the subsidiary Fabbrica LLC, amortised based on the progression of the project. Lastly, the item includes intangible assets in progress and payments on account to the amount of Euro 192 thousand.

## Note 3: Impairment test

On 17 March 2021, the Directors of the Parent Company approved the impairment tests on the goodwill recognised in the consolidated financial statements of Somec Group at 31 December 2020 and on the investments stated in the separate financial statements of the Parent Company on the same date.
To represent the impairment test results in the consolidated financial statements, the Enterprise Values of the various CGUs were applied, compared with the corresponding amounts of Net Invested Capital, including goodwill and other assets arising from business combinations.
As regards prospective economic data, the Directors applied the numbers from the Group company 2021-2023 plans, transposed by the Parent Company in the Board Meeting held on 17 March 2021. To discount the cash flows from the plans, the Directors identified a discounted WACC for each CGU, based on their specific characteristics. Normalised cash flow in the last year of the plan period was considered to estimate the terminal value, for which Directors considered a “g” rate of 1%, deemed to represent the expected average growth for the Group in the CGU/sectors of business.

The assumptions used for the impairment tests carried out at 31 December 2020 and the conclusions reached by the Directors are summarised below for each CGU.

*Impairment test - Fabbrica*
The Fabbrica CGU includes Fabbrica LLC (controlled by the sub-holding, 3.0 Partners USA Inc.) and its Canadian subsidiary, Atelier de Façades Montréal Inc., which operate in the market of custom design, production and installation of façades and external fittings.

To measure the return on the capital invested in the CGU, the expected future cash flows in the 2021-2023 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 7.63%.
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%.
The analyses performed showed that the recoverable amount was well above the carrying amount of the Fabbrica CGU, including the allocated goodwill.
A sensitivity analysis was carried out by establishing 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 arises. The WACC, or the discount rate at which headroom is reduced to zero, is 20.94%. Headroom is reduced to zero with a 50.10% reduction in EBITDA compared to forecasts.

*Impairment test - Professional Cooking Equipment CGU*
The Professional Cooking Equipment CGU includes the companies Inoxtrend S.r.l., Primax S.r.l., Pizza Group S.r.l. and GICO S.p.A., which operate in the professional cooking equipment sector.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2021-2023 plan drawn up by management, determined by aggregating the 3-year plans of the four companies in the CGU, were discounted using a weighted average cost of capital (WACC) of 7.57%.
Cash flows beyond the plan period were determined using 2023 Nopat as the reference cash flow and applying a growth rate (g) of 1%.
The analyses showed that the recoverable amount was higher than the carrying amount of the Professional Cooking Equipment CGU, including allocated goodwill.
A sensitivity analysis was performed using the main variables of the impairment test and, more specifically, by determining the increase in the discount rate (WACC) and the percentage reduction in EBITDA (for the years covered by the plan and for the purpose of determining the terminal value) which would reduce the headroom to zero. The WACC, or the discount rate at which headroom is reduced to zero, is 13%. Headroom is reduced to zero by a 39.31% reduction in EBITDA compared to forecasts.

*Impairment test - Oxin CGU*
Oxin CGU includes Oxin S.r.l., which provides turnkey solutions for the marine catering business.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2021-2023 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 7.57%.
Cash flows beyond the plan period were determined using 2023 Nopat as the reference cash flow and applying a growth rate (g) of 1%.
The analyses showed that the recoverable amount was well above the carrying amount of the Oxin CGU, including the allocated goodwill.
A sensitivity analysis was carried out by establishing 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 arises. The WACC, or the discount rate at which the headroom is reduced to zero, is 20.66%. Headroom is reduced to zero with a 64.05% reduction in EBITDA compared to forecasts.

*Impairment test - TSI CGU*
The TSI CGU includes 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 2021-2023 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 8.10%.
Cash flows beyond the plan period were determined using 2023 Nopat as the reference cash flow and applying a growth rate (g) of 1%.
An impairment test showed impairment of the capital invested in the TSI CGU amounting to Euro 4,729 thousand, which was recognised entirely as goodwill. The new cash flow projections take into account the weaker visibility on the refitting market, which led Directors to reduce forecasts until we have a better understanding of the impacts of the pandemic. The amount of goodwill

recognised in the consolidated financial statements therefore decreased from Euro 11,108 thousand as at 31 December 2019 to Euro 6,379 thousand at 31 December 2020.
Considering that the impairment test has already shown a loss of value, for the purposes of a sensitivity analysis, the growth rate (g) was reduced to zero, which leads to further write-downs to the amount of Euro 1,970 thousand.

*Impairment test - Skillmax CGU*
The Skillmax CGU includes Skillmax S.r.l., which makes and installs high-end, custom made furnishing projects mainly for the luxury retail and luxury hospitality market.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2021-2023 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 8.71%.
Cash flows beyond the plan period were determined using 2023 Nopat as the reference cash flow and applying a growth rate (g) of 1%.
The analyses showed that the recoverable amount was higher than the carrying amount of the Skillmax CGU, including the allocated goodwill.
A sensitivity analysis was based on the main variables of the impairment test and, specifically, by determining the increase in the discount rate (WACC) and the percentage reduction in EBITDA (for the plan years and for the purpose of determining the terminal value) that would reduce the headroom to zero.
The WACC, or the discount rate at which the headroom is reduced to zero, is 15.82%. Headroom is reduced to zero with a 47.13% reduction in EBITDA compared to forecasts.

## Note 4: Right-of-use assets

The following shows the book values of right-of use assets and changes in the item during the period:

| | Software | Land and buildings | Plant and machinery | Company cars | Other assets | Total |
|---|---|---|---|---|---|---|
| Historical cost | 3 | 9,395 | 714 | 270 | 355 | 10,737 |
| Accumulated depreciation | (1) | (1,144) | (319) | (87) | (117) | (1,668) |
| **Net Book Value as at 01/01/2019** | **2** | **8,251** | **395** | **183** | **238** | **9,070** |
| **Changes in 2019** | | | | | | |
| Increase | - | 8,800 | 707 | 304 | 684 | 10,494 |
| Business combinations | - | 1,753 | - | 72 | 110 | 1,934 |
| Net disposals | - | - | - | - | - | - |
| Other changes / reclassifications | - | 19 | (5) | - | - | 14 |
| Depreciation and amortisation | (1) | (2,303) | (136) | (163) | (230) | (2,833) |
| Exchange differences | - | 16 | - | - | - | 16 |
| **Closing Net Book Value** | **1** | **16,534** | **961** | **396** | **801** | **18,694** |
| Historical cost | 3 | 19,979 | 1,416 | 646 | 1,149 | 23,193 |
| Accumulated depreciation | (2) | (3,445) | (455) | (250) | (348) | (4,499) |
| **Net Book Value as at 31/12/2019** | **2** | **16,534** | **961** | **396** | **801** | **18,694** |
| **Changes in 2020** | | | | | | |
| Increase | 90 | 690 | 1,217 | 558 | 38 | 2,593 |
| Business combinations | - | 2,950 | 284 | 197 | 40 | 3,471 |
| Net disposals | - | - | - | - | - | - |
| Other changes / reclassifications | - | (1,376) | (55) | 236 | (589) | (1,784) |
| Depreciation and amortisation | (9) | (3,102) | (378) | (413) | (77) | (3,979) |
| Exchange differences | - | (59) | - | - | 8 | (51) |
| **Closing Net Book Value** | **83** | **15,637** | **2,029** | **974** | **221** | **18,944** |
| Historical cost | 90 | 21,560 | 2,542 | 1,583 | 355 | 26,130 |
| Accumulated depreciation | (7) | (5,923) | (513) | (609) | (134) | (7,186) |
| **Net Book Value as at 31/12/2020** | **83** | **15,637** | **2,029** | **974** | **221** | **18,944** |

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:

| | **2020** | **2019** |
|---|---|---|
| Depreciation of right-of-use assets | 3,979 | 2,833 |
| Interest payable on leases | 483 | 448 |
| Expenses - short term leases | 1,788 | 2,810 |
| **Total recognised in the income statement** | **6,250** | **6,091** |

Total cash flows used for leases recognised in compliance with IFRS 16 amounted to Euro 4,000 thousand as at 31 December (Euro 2,955 thousand as at 31 December 2019).

## Note 5: Investments in associates

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

| | Investments in associates | Total |
|---|---|---|
| **Balance as at 31/12/2019** | **83** | **83** |
| Write-ups /(Write-downs) | 111 | 111 |
| **Balance as at 31/12/2020** | **194** | **194** |

The investment in Squadra S.r.l. was written up by Euro 111 thousand after applying the equity method of accounting.

## Note 6: Non-current financial assets

The item is composed as follows:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Securities and investment funds | 280 | - |
| Other | 2 | 1 |
| **Total Non-current financial assets** | **282** | **1** |

## Note 7: Deferred tax assets and liabilities

The following table shows change in deferred tax assets, the nature of the items and the timing differences.

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Timing differences | Tax effect | Timing differences | Tax effect |
| Bad debt provision | 813 | 194 | 283 | 67 |
| Maintenance | 31 | 7 | 55 | 13 |
| Unpaid Directors' compensation | 118 | 28 | 33 | 8 |
| Inventory write-offs | 586 | 147 | 300 | 72 |
| Warranty provisions | 355 | 86 | 330 | 79 |
| Derivative financial instruments | 457 | 110 | 285 | 68 |
| Tax losses | 3,380 | 811 | 1,023 | 252 |
| Adjustment of additional expenses for equity investments | 22 | 6 | 197 | 47 |
| Start-up and expansion costs | 724 | 202 | 1,090 | 304 |
| Right-of-use assets | 611 | 149 | 309 | 97 |
| Employee benefits | 336 | 81 | 225 | 54 |
| Exchange rate losses | 925 | 222 | - | - |
| Other | 324 | 80 | 691 | 187 |
| **Total Deferred tax assets** | | **2,123** | | **1,248** |

To determine deferred tax assets (prepaid taxes), we applied the tax rates in force in the various countries of Group operations.
Deferred tax assets calculated based on tax loss carry forwards, amounting to Euro 811 thousand at 31 December 2020, mainly refer to the tax losses generated by some subsidiaries in the year 2020 and previous years that will be recovered in future years. Given that the tax loss carry forwards are mainly attributable to Italian companies, there are no issues with carrying forward of tax losses over time. The tax benefit was accounted for as the Directors believe that future tax income is likely, against which these losses can be offset.
The Group has additional tax loss carry-forwards amounting to Euro 2,900 thousand, for which no deferred tax assets have been allocated.

Derivatives that are defined as cash flow hedges and measured at fair value directly in equity imply that the related taxes are charged directly to equity and not to the income statement. Deferred tax assets recognised to equity amounted to Euro 110 thousand.

The table below shows deferred tax liabilities, the nature of the items and temporary timing differences.

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| | Timing differences | Tax effect | Timing differences | Tax effect |
| Unrealised exchange gains | 131 | 31 | 173 | 42 |
| Depreciation and amortisation | 347 | 94 | 1,360 | 102 |
| USA retained earnings | 1,807 | 488 | 1,324 | 427 |
| Right-of-use assets | 394 | 95 | 233 | 65 |
| Increase in value allocated to contract assets (interim) | 1,048 | 293 | 481 | 134 |
| Increase in value allocated to land and buildings | 2,050 | 572 | 689 | 192 |
| Increase in value allocated to plant and machinery | 983 | 274 | 2,365 | 642 |
| Increase in value allocated to the order book | 319 | 88 | 6,896 | 3,549 |
| Increase in value allocated to know-how | 11,068 | 3,056 | 12,532 | 3,421 |
| Increase in value allocated to customer relationships | 11,093 | 3,035 | 319 | 89 |
| Other | 284 | 74 | - | - |
| **Total Deferred tax liabilities** | | **8,100** | | **8,664** |

## Note 8: Inventory and contract assets

The item is composed as follows:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Raw materials and consumables | 8,679 | 4,952 |
| Work in process and semi-finished goods | 1,234 | 3,511 |
| Contract work in progress | 23,778 | 24,191 |
| Finished goods and goods for resale | 2,306 | 1,890 |
| Advances and payments on account to suppliers | 412 | 1,264 |
| **Total Inventory and contract assets** | **36,409** | **35,808** |

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 1,462 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 3,054 thousand, is adjusted by a bad debt provision of Euro 1,591 thousand in order to align its value with the realisable value.

The item Advances and payments on account to suppliers amounting to Euro 412 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 3,021 thousand.

## Note 9: Trade receivables

Trade receivables amounting to Euro 65,520 thousand as at 31 December 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 7,599 thousand compared to the previous year is mainly attributable to the business combinations completed during the period (amounting to Euro 4,099 thousand).

The breakdown of gross accounts receivable by expiry date as at 31 December 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 31 December 2020 | 53,417 | 7,157 | 2,795 | 3,572 | **66,941** |
| 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 2020 are shown below:

| **Balance as at 31/12/2019** | **796** |
|---|---|
| Business combinations | 366 |
| Applications | (367) |
| Provisions | 606 |
| Other changes | 20 |
| **Balance as at 31/12/2020** | **1,421** |

## Note 10: Other receivables

Other receivables include the following:

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Indirect tax receivables | 4,819 | 4,978 |
| Other receivables | 654 | 609 |
| Advance payments to suppliers | 1,802 | 1,298 |
| Accrued income | 1,016 | 253 |
| Down payments | 159 | 175 |
| Advances paid to employees | 84 | 89 |
| Receivables from social security institutions (INAIL) | 192 | 146 |
| Receivables from social security institutions (INPS) | 46 | - |
| Other tax receivables | 195 | - |
| **Total Other receivables** | **8,967** | **7,549** |

The item Indirect tax receivables amounting to Euro 4,819 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 11: Tax receivables

The item includes the following:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Corporation tax receivable | 1,195 | 347 |
| Regional business tax receivable | 286 | 123 |
| Foreign tax credit | 1,142 | 1,542 |
| Other income tax receivables | 197 | 25 |
| **Total Tax receivables** | **2,820** | **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 12: Other current financial assets

The following table shows the breakdown of the item:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Securities | 137 | 114 |
| Prepaid interest and other financial income receivable | 194 | 384 |
| **Total Other current financial assets** | **331** | **498** |

## Note 13: Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Current bank accounts and post office deposits | 41,792 | 29,399 |
| Cash-in-hand | 51 | 29 |
| **Total Cash and cash equivalents** | **41,843** | **29,428** |

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

## Note 14: Shareholders' equity

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

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Share capital | 6,900 | 6,900 |
| Share premium reserve | 18,173 | 18,173 |
| Legal reserve | 1,380 | 1,380 |
| Cash flow hedge reserve | (391) | (216) |
| Other reserves | 2,708 | 913 |
| Retained earnings (loss) | 6,942 | 4,367 |
| Income from Parent company | 2,673 | 7,892 |
| **Group net equity** | **38,385** | **39,409** |
| Minority interest capital and reserves | 8,073 | 7,665 |
| Income from minorities | (1,193) | 1,529 |
| **Minority interest** | **6,880** | **9,194** |
| **Total net equity** | **45,265** | **48,603** |

The share capital (fully paid-in) amounts to Euro 6,000 thousand as at 31 December 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 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.
Other reserves include currency translation reserve and IFRS first-time adoption reserve established on the date of transition to international accounting standards (1 January 2018), including all changes introduced with respect to Italian GAAP.

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

| | Other comprehensive income components in 2020 | Other comprehensive income components in 2019 |
|---|---|---|
| Exchange differences on translation of foreign operations | (291) | 334 |
| Effective portion of gains/(losses) on cash flow hedge instruments | (175) | (210) |
| Gains/(losses) on remeasurement of defined benefit plans | (50) | (53) |
| **Total Other components of net comprehensive income** | **(516)** | **72** |

## Note 15: Loans and financing

The item is composed as follows:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| *Non-current loans and financing:* | | |
| Non-current repayments on medium/long-term loans | 42,329 | 31,612 |
| **Total Non-current loans and financing** | **42,329** | **31,612** |
| *Current loans and financing:* | | |
| Instalments of medium/long term loans falling due within one year | 16,862 | 12,763 |
| Other loans payable | 2,665 | 2,116 |
| Advance payments on invoices and contracts | 6,659 | 5,061 |
| Overdrafts/factoring | 178 | 85 |
| Interest and charges on bank loans and overdrafts | 53 | 35 |
| **Total Current loans and financing** | **26,417** | **20,059** |
| **Total Loans and financing** | **68,746** | **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 (i.e. net debt/EBITDA and net debt/equity) The Group was in line with these criteria on the reporting date.

## Note 16: Other financial liabilities

The item includes the following:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| *Other non-current financial liabilities:* | | |
| Non-current lease liabilities | 15,252 | 14,991 |
| Derivative liabilities | 501 | 285 |
| Strike price of options on purchase of non-controlling interest | 10,479 | 11,855 |
| Earn out payment for controlling interest | - | 111 |
| Payables for equity investments | 962 | - |
| **Total Other non-current financial liabilities** | **27,194** | **27,241** |
| *Other current financial liabilities:* | | |
| Current lease liabilities | 3,800 | 3,741 |
| Payables for equity investments | 763 | 1,806 |
| Earn out payment for controlling interest | - | 1,157 |
| **Total Other current financial liabilities** | **4,563** | **6,705** |
| **Total Other financial liabilities** | **31,757** | **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 501 thousand as at 31 December 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*

The item refers to the fair value of options held on Primax S.r.l. (Euro 2,672 thousand) and Total Solution Interiors S.r.l. (Euro 4,763 thousand), both exercisable as of 2022, the fair value of options on Skillmax S.r.l. (Euro 2,670 thousand), exercisable as of 2024, and the fair value of options on GICO S.p.A. (Euro 373 thousand), exercisable within three months of approval of the financial statements as at 31 December 2023. Financial liabilities depend on the respective contractual terms, normally referring to the development of EBITDA multipliers for future periods approaching the option exercise date, less the net financial position expected for the investment, also estimated around the exercise date. The amounts, appropriately discounted in consideration of the estimated exercise dates, were updated as at 31 December 2020 on the basis of the most recent financial forecasts prepared by the management for each of the indicated investments, recognising the adjustment of each liability in the income statement as financial income or expense. In more detail, remeasurement of the financial liability arising from the option for the minority interest in Total Solution Interiors S.r.l. resulted in a positive effect on the income statement amounting to Euro 4,778 thousand, following a review of the future cash flows expected from the CGU, which also led to impairment of the goodwill from the business combination, as already described previously.

*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 at the deferred payment instalment for GICO S.p.A. (Euro 200 thousand).

## Note 17: Provisions for risks and charges

The item Provisions for risks and charges, amounting to Euro 470 thousand (Euro 344 thousand as at 31 December 2019), is mainly composed of the provision for project efficiency variances to the amount of Euro 330 thousand, warranty provisions amounting to Euro 25 thousand and other provisions for liabilities and charges amounting to Euro 115 thousand.
Changes in the item during 2020 were as follows:

| **Balance as at 31/12/2019** | **344** |
|---|---:|
| Business combinations | 137 |
| Provisions | 3 |
| Other changes | (14) |
| **Balance as at 31/12/2020** | **470** |

## Note 18: Net defined-benefit obligations

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

| **Balance as at 31/12/2019** | **2,301** |
|---|---:|
| Business combinations | 1,090 |
| Changes in scope of consolidation | 243 |
| Provisions | 1,335 |
| Interest | 18 |
| Other changes | 293 |
| Actuarial (gains)/losses | 177 |
| Indemnities paid and advances | (1,076) |
| **Balance as at 31/12/2020** | **4,381** |

As at 31 December 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:

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| **Economic assumptions** | | |
| Increase in cost of living | 0.80% | 1.20% |
| Discount rate | 0.34% | 0.77% |
| Rate of increase in TFR | 2.10% | 2.40% |
| Real wage increase rate | 1.00% | 1.00% |
| **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% |

Below is the sensitivity analysis for each relevant actuarial assumption at the reporting date, showing the effects that would have occurred as a result of changes in the reasonably likely actuarial assumption at that date, in absolute terms.

| | 31/12/2020 |
|---|---|
| Turnover rate +1% | 3,267 |
| Turnover rate -1% | 3,337 |
| Inflation rate +0.25% | 3,359 |
| Inflation rate -0.25% | 3,242 |
| Discount rate +0.25% | 3,222 |
| Discount rate -0.25% | 3,380 |

Below are the estimated future payments for the coming years from the severance indemnity reserve.

| | Expected payments |
|---|---|
| Within 1 year | 323 |
| Between 1 and 2 years | 234 |
| Between 2 and 3 years | 253 |
| Between 3 and 4 years | 301 |
| Between 4 and 5 years | 290 |
| **Total** | **1,401** |

## Note 19: Trade payables

Trade payables amounted to Euro 43,940 thousand as at 31 December 2020, compared to Euro 47,465 thousand as at 31 December 2019.
Trade payables are due within 12 months, do not bear interest and are normally settled within between 30 and 120 days.

## Note 20: Other current liabilities

The item is composed as follows:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Payables to parent company | - | 45 |
| Payables to associated companies | - | 32 |
| Payables to parent company subsidiaries | - | 177 |
| Social security and pension fund liabilities | 1,820 | 2,194 |
| Deferred employee compensation liabilities | 2,844 | 2,540 |
| Payables to directors and statutory auditors | 259 | 154 |
| Indirect tax and withholding tax liabilities | 1,500 | 1,280 |
| Other liabilities | 1,159 | 721 |
| Accrued expenses and deferred income | 187 | 112 |
| **Total Other current liabilities** | **7,769** | **7,255** |

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 December 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 31 December 2020.

## Note 21: Contract work in progress and customer advances

This item, amounting to Euro 34,438 thousand as at 31 December 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 22: Income tax liabilities

Taxation, to the amount of Euro 692 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 23: Revenues from contracts with customers
Revenues from contracts with customers amounted to Euro 222,068 thousand as at 31 December 2020 (Euro 249,971 thousand as at 31 December 2019), broken down as follows by operating segment:

| | 2020 | 2019 |
|---|---|---|
| Seascape division revenues | 132,798 | 145,004 |
| Change in contract work in progress - Seascape division | (728) | 12,149 |
| Landscape division revenues | 101,170 | 83,026 |
| Change in contract work in progress - Landscape division | (11,172) | 9,792 |
| **Total Revenues from contracts with customers** | **222,068** | **249,971** |

The Group is not typically impacted to a significant extent by “variable considerations”, except for contact additions agreed with clients. The amount of claims, and amounts recognised to customers for any penalties was not significant, for over time revenues of both the Seascape division and Landscape division.

### Note 24: Other revenues and income
Other revenues and income are broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Grants related to income | 61 | 17 |
| Insurance claim settlements | 28 | 255 |
| Other income | 829 | 663 |
| Contingent assets | 438 | 487 |
| **Total Other revenues and income** | **1,356** | **1,422** |

The breakdown of revenues (at Euro 223.4 million) by geographical area is as follows:

| | Italy | EU | Non-EU | Total |
|---|---|---|---|---|
| Total revenues 2020 | 47,630 | 64,470 | 111,324 | **223,424** |
| Total revenues 2019 | 63,638 | 63,280 | 124,475 | **251,393** |

### Note 25: Employee benefit expenses
Employee benefit expense is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 31,977 | 32,248 |
| Social security costs | 6,649 | 6,063 |
| Defined benefit obligations | 1,570 | 1,130 |
| Other personnel expenses | 224 | 222 |
| **Total Employee benefit expenses** | **40,420** | **39,663** |

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 31 December 2020 and 31 December 2019 is shown in the following table:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Directors | 13 | 12 |
| Managers | 24 | 7 |
| Office staff | 325 | 295 |
| Operational workers | 456 | 380 |
| **Total** | **818** | **694** |

## Note 26: Depreciation, amortisation and write-downs
Depreciation, amortisation and write-downs are as follows:

| | 2020 | 2019 |
|---|---|---|
| Depreciation of property, plant and equipment | 3,380 | 2,660 |
| Amortisation of intangible assets | 7,786 | 6,066 |
| Depreciation/amortisation of right-of-use assets | 3,979 | 2,833 |
| Goodwill write-downs | 4,729 | - |
| Provision for bad debt | 607 | 107 |
| Provisions for inventory write-downs/offs | 427 | - |
| **Total Depreciation, amortisation and write-downs** | **20,908** | **11,666** |

The increase during the period is mainly attributable to the amortisation of the goodwill from the business combinations, considering both the transactions completed in 2020. The increase in depreciation of property, plant and equipment, right-of-use is mainly attributable to a change in the scope of consolidation. In more detail, depreciation, amortisation and write-downs relating to business combinations during the year amounted to Euro 817 thousand at 31 December 2020, while depreciation and amortisation for the year attributable to the change in the scope of consolidation amounted to Euro 215 thousand.
Goodwill write-downs refer entirely to an adjustment to value of goodwill for the TSI CGU, following an impairment test. For further details, please see Note 3
The provision for bad debt includes provisions to align trade receivables with the expected realisable value.

## Note 27: Other operating costs
Other operating costs are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| Outsourced manufacturing | 16,070 | 22,492 |
| Installation | 16,857 | 27,492 |
| Transport | 3,807 | 4,662 |
| Director and auditor remuneration | 1,889 | 1,195 |
| Other expenses | 26,184 | 23,207 |
| **Total Other operating costs** | **64,807** | **79,048** |

The item includes non-recurring charges amounting to Euro 1,327 thousand, of which Euro 1,146 thousand of translisting costs incurred during the year 2020, and Euro 181 thousand of Covid-19 related expenses.

## Note 28: Financial income and expenses
The item includes the following:

| | 2020 | 2019 |
|---|---|---|
| Interest payable on bank loans and borrowings | 577 | 555 |
| Interest payable on lease liabilities | 483 | 448 |
| Interest payable on parent company loans | - | 31 |
| Interest payable on defined benefit plans | 18 | 22 |
| Interest payable on derivative instruments | - | 93 |
| Write-downs of financial assets | - | 60 |
| Financial charges from discounting of provisions | - | 171 |
| Interest payable to third parties | 668 | 58 |
| Other financial charges | 237 | 74 |
| **Total Financial expenses** | **1,983** | **1,510** |
| Interest receivable on current bank accounts | 3 | 156 |
| Financial discounts receivable | 5 | 85 |
| Interest receivable on loans to subsidiaries | - | 10 |
| Other interest receivable | 93 | 2 |
| Other financial income | 72 | - |
| Change in Put and Call option liabilities | 4,778 | - |
| **Total Financial income** | **4,951** | **253** |
| **Total Financial income and expenses** | **2,968** | **(1,258)** |

Financial income and expenses were at Euro 2,968 thousand (negative at -Euro 1,258 thousand as at 31 December 2019). This effect was mainly attributable to the recognition of a gain on the fair value adjustment of the “Put and Call” option on the remaining 40% of the share capital of Total Solutions Interiors S.r.l. This resulted in the recognition of non-recurring income to the amount of Euro 4,788 thousand.

## Note 29: Other operating income (and expense)

Other operating income and expense is composed of net exchange rate gains and losses, which was negative for Euro 797 thousand as at 31 December 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 30: Income from associates

The item, amounting to Euro 112 thousand as at 31 December 2020, includes the effect of using the equity method of accounting for the associated company, Squadra S.r.l.

## Note 31: Income taxes

Income taxes recognised in the income statement are as follows:

| | **2020** | **2019** |
|---|---|---|
| Current tax: | | |
| - IRES | 1,518 | 2,163 |
| - IRAP | 288 | 449 |
| - Other current tax | 681 | 1,839 |
| Income tax prior years | 150 | 246 |
| Deferred tax liabilities | (1,765) | (1,468) |
| Deferred tax assets | (830) | (137) |
| **Total Income taxes** | **42** | **3,092** |

Below is the reconciliation of the theoretical tax burden with the reported tax burden for both periods.

| | **2020** | **2019** |
|---|---|---|
| Theoretical corporate tax rate (IRES) | 24% | 24% |
| Profit before tax | 1,522 | 11,652 |
| Theoretical tax (*) | 365 | 2,796 |
| Reported tax | 42 | 3,092 |
| **The difference is due to:** | **323** | **(296)** |
| 1) Different tax rates in other countries | 211 | 689 |
| 2) Permanent differences | | |
| i) IRAP and other local taxes | (288) | (448) |
| ii) Non-deductible items | 429 | (927) |
| iii) Income tax for previous years | (150) | 141 |
| iv) Other | 121 | 248 |
| **Total difference** | **323** | **(296)** |

** Theoretical tax calculated by applying Parent company corporate tax rate (IRES).*

## Note 32: 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:

| | 2020 | 2019 |
|---|---|---|
| Earnings/(Loss) per share (Euro) | 0.39 | 1.14 |
| Diluted earnings/(Loss) per share (Euro) | 0.39 | 1.14 |
| | | |
| Weighted average number of outstanding shares: | | |
| - basic | 6,900,000 | 6,900,000 |
| - diluted | 6,900,000 | 6,900,000 |

## FINANCIAL RISK MANAGEMENT: OBJECTIVES AND CRITERIA

The Board of Directors reviewed and agreed the policies to manage the key financial risks described below.

*Credit risk*

Credit risk is the possibility of a financial loss resulting from the failure of a customer or one of the financial instrument counterparties to repay a loan or meet contractual obligations, and derives mainly from trade receivables.
The Group is not particularly exposed to the risk that its customers may delay or default on their payment obligations according to the agreed terms and methods, partly thanks to the fact that it operates with shipbuilders and shipowners of the highest standing and unquestionable solvency. Furthermore, for business purposes, the Group has adopted policies and procedures to guarantee the creditworthiness and solvency of its customers and limit exposure to credit risk by assessing and monitoring its clients.
Finally, all receivables are regularly analysed for each customer. Receivables are written down/off when a potential impairment is detected.

The book value of financial assets represents the Group’s exposure to credit risk:

| | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Non-current financial assets | 282 | 1 |
| Trade receivables | 65,520 | 57,921 |
| Other receivables | 8,967 | 7,549 |
| Current financial assets | 331 | 498 |
| Cash and cash equivalents | 41,843 | 29,428 |
| **Total** | **116,943** | **95,397** |

As for the exposure to credit risk at the end of the year deriving from trade receivables by geographic area and changes in the related allowance for doubtful accounts, please see Note 9.

*Market risk*

Market risk refers to fluctuations in the value of assets and liabilities due to changes in market prices (mainly exchange rates and interest rates) which, in addition to modifying the expected cash flows, can generate an unexpected increase in costs and financial expenses.

*Exchange rate risk*

The Group is exposed to exchange rate risk mainly on the portion of the Company’s assets and liabilities denominated in a currency different from Euro.
In particular, the Group is exposed to the currency translation-related risk. The Group, although prepares the consolidated financial statement in Euro, controls companies with financial statements denominated in currencies different from Euro (i.e. US dollar). Therefore the Group is exposed to the risk that any change in price of currencies utilized in converting the financial statement of the controlled company denominated in currency different from Euro into home currency could have a significant impact on consolidated financial statements.
The Group is also exposed to transaction risk since it operates in countries outside the so called “Eurozone”, therefore exchange rate fluctuations may impact on the result and on the net equity value. In particular, where the companies of the Group incur revenues and costs in foreign currencies, mainly US Dollar and GBP, which do not offset each other, the variance in the exchange rate may impact on the Group operating result.

*Interest rate risk*
The risk of interest rate fluctuations essentially arises from medium-long term floating-rate loans. Any interest rate fluctuations may therefore have a negative impact on Group results.
So far, interest rate risk management has essentially been aimed at reducing cost of funding and stabilising cash flows. The Group has also converted some of its floating-rate loans into fixed-rate loans by means of derivative financial instruments for cash flow hedging purposes.
In terms of sensitivity analyses, a positive (negative) change of 50 b.p. in short-term interest rates applicable to floating-rate loans would not have a significant impact.

*Liquidity risk*
Liquidity risk is when the Group is unable to meet its debt obligations.
As things stand, the Group believes that its healthy cash flow generation levels, readily available funds, and prudent debt management strategy offer it enough stability to guarantee business continuity.
Liquidity risk management is mainly based on the strategy of reducing debt, self-funding and maintaining financial stability.

The following table analyses the breakdown and maturities of commercial, financial and other liabilities as at 31 December 2020 in comparison with previous year.

| | **31/12/2020** | | | | **31/12/2019** | | | |
|---|---|---|---|---|---|---|---|---|
| | **On demand** | **Within 1 year** | **Between 1 and 5 years** | **Over 5 years** | **On demand** | **Within 1 year** | **Between 1 and 5 years** | **Over 5 years** |
| Loans and financing | - | - | 41,408 | 921 | - | - | 31,612 | - |
| Other non-current financial liabilities | - | - | 22,999 | 4,195 | - | - | 21,116 | 6,125 |
| Other non-current liabilities | - | - | 69 | - | - | - | - | - |
| **Total non-current liabilities** | **-** | **-** | **64,476** | **5,116** | **-** | **-** | **52,728** | **6,125** |
| Trade payables | - | 43,940 | - | - | - | 47,465 | - | - |
| Other current liabilities | - | 7,769 | - | - | - | 7,255 | - | - |
| Loans and financing | 9,429 | 16,988 | - | - | 7,262 | 12,797 | - | - |
| Other current financial liabilities | - | 4,563 | - | - | - | 6,705 | - | - |
| Income tax liabilities | - | 692 | - | - | - | 960 | - | - |
| **Total current liabilities** | **9,429** | **73,952** | **-** | **-** | **7,262** | **75,182** | **-** | **-** |

## 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:

| | **31/12/2020** | | **31/12/2019** | |
|---|---|---|---|---|
| | **Book value** | **Fair value** | **Book value** | **Fair value** |
| Interest Rate Swaps: | | | | |
| - Assets | - | - | - | - |
| - Liabilities | (501) | (501) | (285) | (285) |
| Call options on acquisition of non-controlling interest | (10,479) | (10,479) | (11,855) | (11,855) |
| Earn out on acquisition of controlling interest | - | - | (1,268) | (1,268) |
| **Total** | **(10,980)** | **(10,980)** | **(13,408)** | **(13,408)** |

The Directors established that the fair values of cash and cash equivalents, 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 31 December 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 year 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 year 2020 are summarised in the following tables:

### Statement of financial position

| | Trade receivables | Trade payables | Other non-current financial liabilities | Other current liabilities |
|---|---|---|---|---|
| 2.0 Partners LLC | - | (13) | - | - |
| ArtSerf S.p.A. | 79 | (29) | - | - |
| Edim S.r.l. | - | - | (1,009) | (96) |
| GEA.IM S.r.l. | 60 | - | (1,444) | (138) |
| Immobiliare Roberti S.r.l. | - | - | (1,158) | (100) |
| La.Mec. Lavorazioni Meccaniche S.r.l. | - | (163) | - | - |
| Mittel Group | - | (1) | - | - |
| MS Studio Concept Inc. | - | - | (233) | (20) |
| Sinertech S.r.l. | 476 | (415) | (759) | (189) |
| Squadra S.r.l. | - | (249) | - | - |
| Venezia S.p.A. | 3 | - | - | - |
| Vis S.r.l. | 46 | (4) | (2,374) | (923) |
| **Total** | **664** | **(874)** | **(6,977)** | **(1,466)** |

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 | Other income | Raw materials and consumables | Other operating costs | Financial expenses |
|---|---|---|---|---|---|
| 2.0 Partners LLC | - | - | - | - | 50 |
| ArtSerf S.p.A. | (36) | - | 614 | 11 | - |
| La.Mec. Lavorazioni Meccaniche S.r.l. | - | - | 402 | - | - |
| Mittel Group | - | - | 2 | - | - |
| Sinertech S.r.l. | (390) | - | - | 340 | - |
| Squadra S.r.l. | - | - | - | 1,063 | - |
| Venezia | - | (3) | - | - | - |
| Vis S.r.l. | (150) | (4) | 151 | - | - |
| **Total** | **(576)** | **(7)** | **1,169** | **1,414** | **50** |

## Compensation of Directors, Statutory Auditors, and Executive Officers

| | Compensation | Non-cash compensation | Bonuses and other incentives | Other compensation |
|---|---|---|---|---|
| Parent Company Board of Directors | 798 | 19 | - | 409 |
| Parent Company Board of Statutory Auditors | 47 | - | - | - |
| Key management personnel | - | 9 | 75 | 1,059 |
| **Total** | **845** | **28** | **75** | **1,468** |

For further details, please refer to the Remuneration Report

## DISCLOSURE PURSUANT TO LAW N. 124/2017

According to the Law n.124/2017 and with reference to the Group Italian companies, it has to be reported that the public contributions and grants disclosed in Other Revenues and Income (note 24), accounted for on an accrual basis, refer to: “Sabatini” grant for Euro 19 thousands, grants for plant for Euro 9 thousands, Covid-19 related grants for Euro 5 thousands, work safety grants for Euro 7 thousands, Executives training grants for Euro 15 thousands and employment incentive grants for Euro 7 thousands.
As far as the above related compliance is concerned please refer to the specific public available National Register.

## NET FINANCIAL POSITION

In compliance with Consob Communication n. DEM/6064293 dated 28 July 2006 related financial information are provided below

| *Amounts in €/000* | | **31/12/2020** | **31/12/2019** |
|---|---|---|---|
| A. | Cash | 51 | 29 |
| B. | Bank deposits | 41,792 | 29,399 |
| **C.** | **Total liquidity (A+B)** | **41,843** | **29,428** |
| **D.** | **Current financial assets** | **331** | **1** |
| E. | Current bank debt | (9,555) | (7,297) |
| F. | Current portion of long-term debt | (16,862) | (12,763) |
| G. | Other current financial liabilities | (4,563) | (6,420) |
| **H.** | **Current debt (E+F+G)** | **(30,980)** | **(26,480)** |
| **I.** | **Current net financial position (C+D+H)** | **11,194** | **2,949** |
| J. | Non-current bank debt | (42,329) | (31,612) |
| K. | Other non-current financial liabilities | (27,194) | (27,526) |
| **L.** | **Non-current financial position (J+K)** | **(69,523)** | **(59,138)** |
| **M.** | **Net financial position (I+L)** | **(58,329)** | **(56,189)** |

## COMMITMENTS AND RISKS

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

| | **31/12/2020** | **31/12/2019** |
|---|---|---|
| Contract sureties | 210,602 | 188,792 |
| Other guarantees | 228,560 | 229,990 |
| Real guarantees | 100 | 100 |
| **Total** | **439,262** | **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 the year end 2020

**Skillbuild**
On 19th January 2021, the newly acquired company Skillmax established Skillbuild S.r.l. with the aim of providing private housing upgrading services on the back of State fiscal incentives for sustainable buildings.

**ESG rating**
On March 2021, Somec S.p.A. has assigned to a leading international independent firm the ESG rating assessment.

***///***

San Vendemiano - Italy, 25th March 2021

The Chairman of the Board of Directors
*Oscar Marchetto*

# Management representation on the Consolidated 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 Chief 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 Consolidated Financial Statements during the year 2020.

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

**3.** The undersigned also represent that:

**3.1** the Consolidated Financial Statements at 31 December 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 Directors' Report on Operations includes a reliable analysis of the performance and results of operations, as well as the situation of the issuer and of all the companies included within the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

25 March 2021

*Oscar Marchetto*
*Chief Executive Officer*

*Federico Puppin*
*Manager Responsible for*
*Preparing Financial Reports*

Building a better working world

# Somec S.p.A.

Consolidated financial statements as at December 31, 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010, and article 10 of EU Regulation n. 537/2014

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# Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
*(Translation from the original Italian text)*

To the Shareholders of
Somec S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Somec Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Somec S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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| Key Audit Matter | Audit Response |
| --- | --- |
| Valuation of goodwill | |
| The consolidated financial statements include, within the Intangible assets balance, goodwill for Euro 27.6 million, allocated to the Group's cash generating units (CGUs) or to a group of CGUs. Processes and methodologies for evaluating and determining the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions which, by their nature, imply the use of directors' judgment, in particular with reference to future cash flows included in the 2021-2023 plan prepared for each of the CGU, the determination of the normalized cash flows at the basis for estimating the terminal value, as well as the determination of the long-term growth rates and the discount rates applied to future cash flows. Considering the required judgment and the complexity of the assumptions used in estimating the recoverable amount of goodwill, we deemed this area represents a key audit matter.<br><br>Disclosures in the consolidated financial statements relating to the valuation of goodwill are included in Note 2 "Intangible assets" and Note 3 "Impairment test", which describes the process of determining the recoverable value of each CGU or group of CGUs, as well as the assumptions used and the sensitivity analysis performed on the main assumptions, and in the paragraphs "Summary of main accounting standards" and "Discretionary measurements and significant accounting estimates". | Our audit procedures related to the key audit matter included, among others:<br>• the analysis of the process and key controls implemented by the company in connection to the valuation of the recoverable amount of goodwill;<br>• the assessment of the adequacy of the CGU perimeter, the allocation of the carrying amount of the assets and liabilities to the individual CGU or groups of CGUs, and the comparison with the value in use resulting from the impairment test;<br>• the assessment of the main assumptions used for future cash flows forecasts, completed by obtaining information from the Management and comparing the historical forecasts with the actual data;<br>• test of the mathematical accuracy of the model developed to determine the value in use of the CGU or groups of CGUs, including the methodology used to estimate the terminal value;<br>• the assessment of the long-term growth rates and discount rates.<br><br>Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation and sensitivity analysis on the key assumptions, in order to determine the changes in the assumptions that could impact the valuation of the recoverable amount.<br><br>Lastly, we assessed the adequacy of the disclosure provided in the explanatory notes to the consolidated financial statements with reference to the intangible assets. |
| Valuation of work in progress | |
| The consolidated financial statements include, within the Inventories and Contract Assets' balance, contract assets for work in progress of Euro 23.8 million, and contract liabilities for work in progress and advances from customers of Euro 34.4 million. | Our audit procedures related to the key audit matter included, among others:<br>• the analysis of the process and key controls implemented by the Group in the planning and control phases of the projects, including the assessment of the criteria for the |

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| Key Audit Matter | Audit Response |
|---|---|
| With reference to contract assets and liabilities for work in progress and the corresponding revenues from contracts with customers, the application of the cost-to-cost methodology applied requires management's estimate of the total cost to complete each project and the related recurring updates, through the use of assumptions made by the directors.<br><br>In the evaluation of work in progress, the profit is recognized through profit and loss according to the progress of the projects. The accounting recognition of the work in progress implies the estimation of the final costs, of the cost increases, as well as of the delays, extra costs and penalties that could reduce the expected margin.<br><br>The directors base their estimates on the information deriving from the internal reporting system, forecasting and reporting of the project, and examine, and where necessary revise the estimates of revenues and costs, each project at the various stages of completion. When it is probable that total contract costs exceed the total of the corresponding total revenues, the potential loss is recognized in the profit and loss.<br><br>Considering the economic and financial implications of the contract assets for work in progress, the complexity of the assumptions used in forecasting the costs to complete the projects and the potential magnitude of the changes in estimates on the result of the year, we deemed this area to represent a key audit matter.<br><br>Disclosures in the consolidated financial statements relating to contract assets and liabilities for work in progress and advances from customers, are included in Notes 8 and 20, as well as in the paragraph " Summary of main accounting standards" and "Discretionary measurements and significant accounting estimates". | revenues recognition and the assessment of the controls surrounding the IT systems;<br>• the assessment of the key assumptions made in forecasting the costs to complete the projects and to determine total revenues, through the testing, on a sample basis, of the project's reports, interviews with management and review of contracts;<br>• the analysis of the main variations in the projects' results as compared to the initial estimates and the previous years' estimates;<br>• the execution of substantive testing on a sample of contract costs and the related progresses of the projects;<br>• the completion of external confirmation procedures of a sample of clients, in order to test the existence and completeness of specifically agreed contractual reserves.<br><br>Lastly, we assessed the adequacy of the disclosure provided in the explanatory notes to the consolidated financial statements with reference to the evaluation of the work in progress. |

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Somec S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

## Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Somec S.p.A., in the general meeting held on April 29, 2020, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Somec S.p.A. are responsible for the preparation of the Director's Report and of the Report on Corporate Governance and Ownership Structure of Group Somec as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Director's Report and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Somec Group as at December 31, 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Director's Report and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Somec Group as at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

### Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Somec S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Treviso, April 8, 2021

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

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