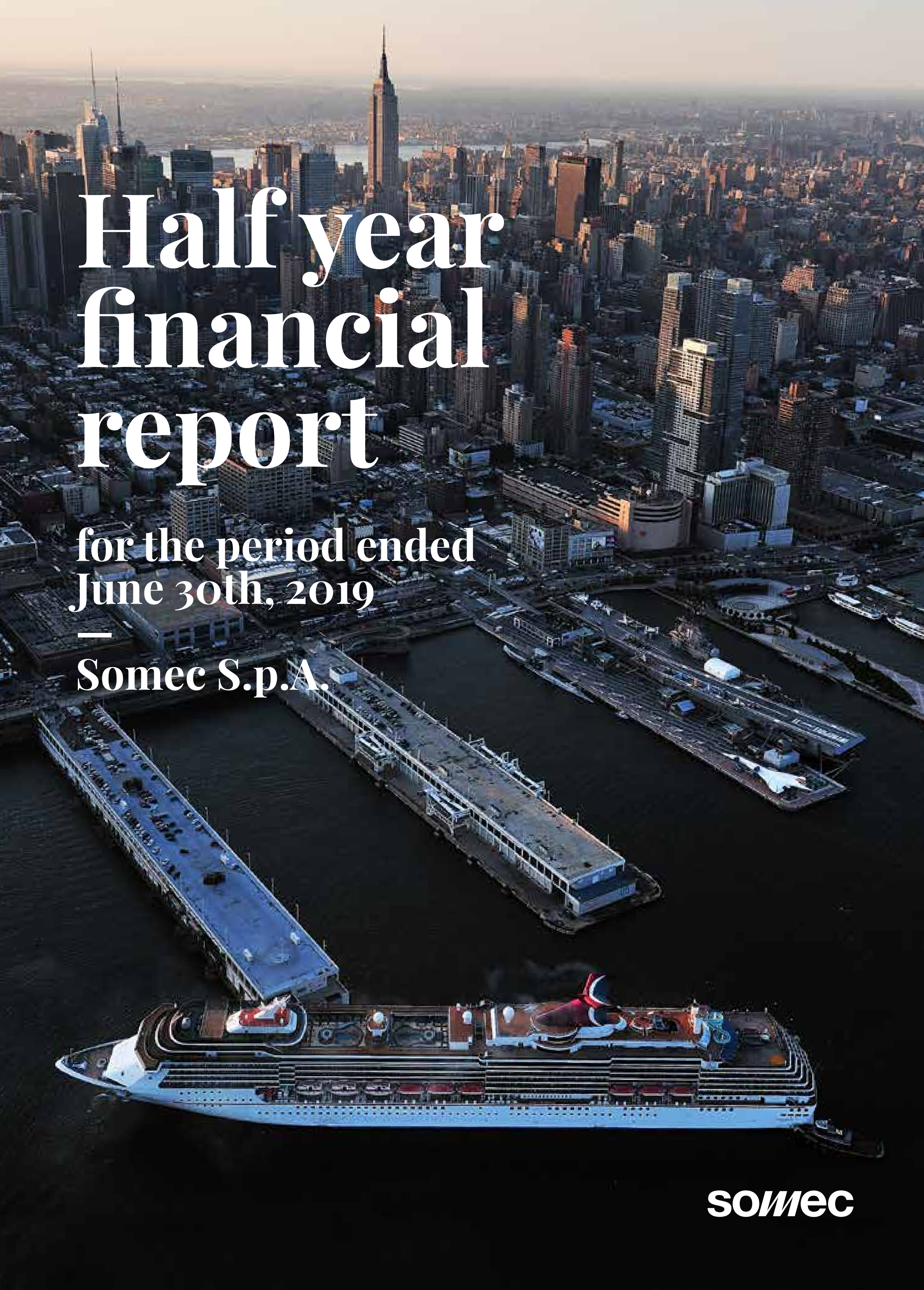

Half year financial report

for the period ended June 30th, 2019

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Somec S.p.A.

somec

Half year financial report

for the period ended June 30th, 2019

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Somec S.p.A.

our horizons are where sky and sea meet. and beyond.

somec

Contents

Report on Operations for the period ended June 30th, 2019

**Somec S.p.A.
brings together highly
experienced companies
specializing in engineering,
design, and manufacturing
of turnkey projects,
marine or land-based:
glass envelopes and façades,
special architectural projects,
public areas interiors,
professional cooking
equipment**

Key facts 1H 2019

> We are masters
in the craft of Building Façades with an enthusiasm for solving any challenge for our clients. With a depth of expertise in all aspects of project execution, Fabbrica is uniquely positioned to deliver a one-stop-shop for the most sophisticated building façades and special interior projects, from system engineering through manufacturing to installation in the field.

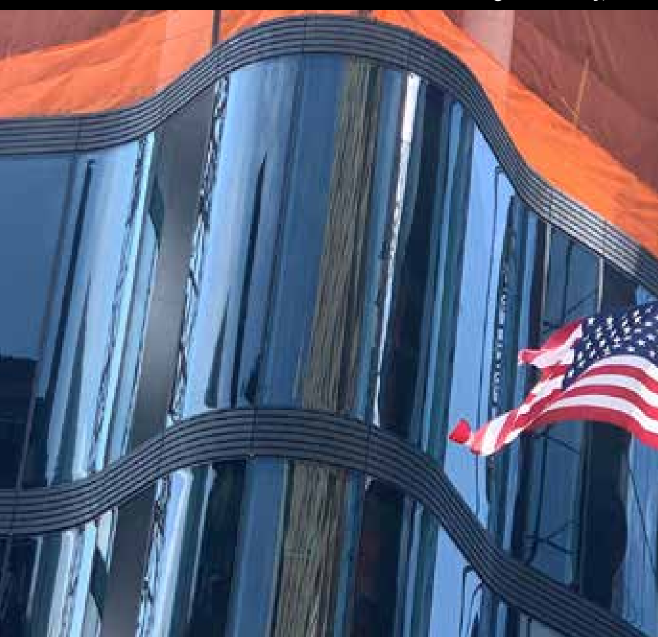
Building façades

In the course of the first six months of 2019, the Group completed an important investment plan in the subsidiary Fabbrica LLC that has enabled to increase threefold the production surface available via the setting up of a new production site measuring approx. 12,000 m^2 located at a short distance from the Windsor Connecticut headquarters.

FABBRICA


The Jacx - Long Island City, NY


2050M-DC - Washington, DC


MW North-West Tower - New York, NY


441 9° Avenue - New York, NY


MW Retail - New York, NY


TWA Flight Center Hotel - Jamaica Queens, NY

Key facts 1H 2019

Somec Shanghai

On 13 March 2019, Somec announced the opening of a new branch in Shanghai, China. Somec Shanghai Co., Ltd has been established in order to expand the Group's naval activities in China and tap the potential of growth in the new cruise ship-building activities of Chinese shipyards.

TSI and marine public areas

On 20 May 2019, Somec completed the acquisition of a 60% majority stake in Total Solution Interiors Srl (TSI), a player in the field of design, production and installation of turnkey projects for the outfitting of public areas of ships and buildings.

Chairman's letter to the Shareholders

San Vendemiano, September 2019

Dear Shareholders,

In the first half-year of 2019, our company has confirmed its vocation to growth with double-digit results in both the division and organic growth above the industry average.

The 2019 first half has shown strong positive economic and financial results, the value of production has reached 123 Euro million, up by 58% on the same period of 2018. The consolidated EBITDA at 11 Euro million, up by 38% in the same period of 2018. The consolidated EBIT at 7 Euro million, up by 47% in the same period of 2018. Consolidated Net Profit at 5,2 Euro million, up by 58% in the same period of 2018. Group Net Financial Position has grown 20,3 million Euro since the 5,5 million Euro as of December 31 2018, to 25,8 million Euro, due to the combined effects of investments, acquisition and dividend payment.

During 2019, we have focused on high potential and strategic geographic areas of the US and China. In particular, Landscape division in the US has seen its strategy, based on a distinctive offer and an undoubted ability in tackling challenging projects, awarded a growth of 148% on the first semester 2018, upgrading group diversification in business and geographic areas. This result has led to a threefold increase in productive capacity with a bold investment plan.

In March, the opening of a new branch in Shanghai has initiated the promising Chinese market for the Seascape division and promptly in the month of September Marine Glazing business has won the first order. The order consists of the designing and manufacturing of the glazing on cabins and public areas for a new cruise ship by Carnival Group tailored on the Chinese market to be delivered by 2023.

In April, the Shareholders' Meeting has approved the distribution of a dividend amounting to 0.50 euros per share.

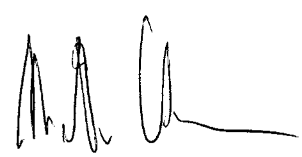
In May, in line with our statement during the IPO process, we have enlarged our Seascape product offer entering the attractive segment of public areas through the acquisition of the 60% of Total Solution Interiors Srl, a player in the field of design, production and installation of turnkey projects for the outfitting of public areas of ships and buildings.

The significant growth of our order book - backlog confirm the solidity of the group. In the first-semester order-intake has reached 182 Euro million, registering a backlog Euro million of 552 as of June 30 2019. In the second half to date, the order intake is 85 EURO million. In September Fabbrica LLC has acquired two relevant contracts worth 70 US$ million, confirming the ability of Somec to obtain and accomplish projects considering the financial equilibrium of the group and shareholders value creation.

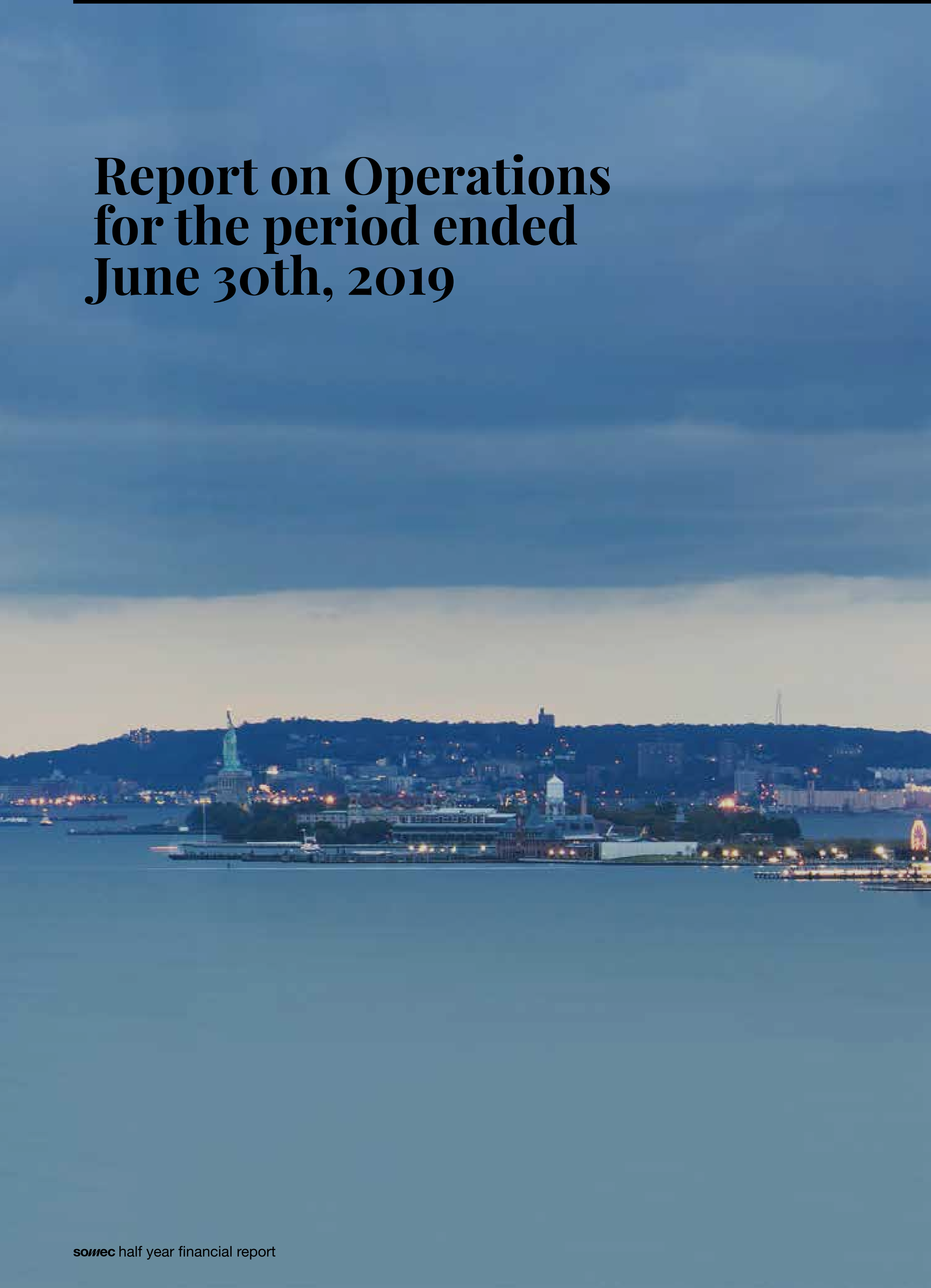
In September Somec's Board of Directors resolved to start all the activities required for the transition to the MTA market, segment STAR since the conditions allow it, subject to completion of the formal and substantive obligations requested by the Authorities and the authorizations by the same, in line with market conditions.

Last but not least, I would like to express on behalf of the Board our appreciation to Somec people and stakeholders that have accomplished these relevant results.
Thank you.

Oscar Marchetto



Report on Operations for the period ended June 30th, 2019



General Information

Somec Group

The Somec Group is one of the major global operators in the fields of design, custom production and installation of glass envelopes made to innovative and advanced engineering and design standards for the building of new cruise ships *(Marine Glazing)* and of design, custom production and installation of catering areas on cruise ships *(Marine Cooking Equipment)*.

The Group also offers services for the refurbishment, upgrading, replacement and repair of elements of glass envelopes and of common areas on cruise ships already at sea *(Marine Refitting)*. The Group boasts decades of expertise on more than 200 cruise liners.

With Fabbrica LLC, since 2018 the Group has been operating in the sector of the ad hoc design, custom production and installation of façades and external structures featuring innovative and advanced engineering for buildings in various locations in the major cities of North-Eastern USA *(Building Façades)*.

The Group also produces professional equipment for kitchens *(Professional Cooking Equipment)* and outfitting of public areas of ships *(Marine Public Areas)*.

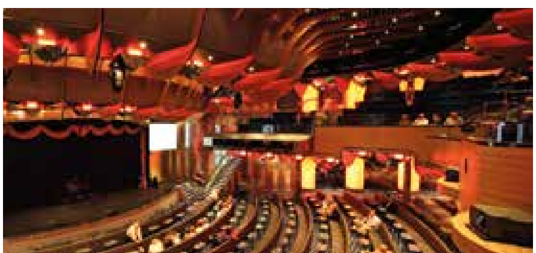
seascape

marine glazing

Design, engineering, manufacture and installation of glass envelopes for cruise ships

marine cooking equipment

Design, manufacture & installation of professional turnkey equipment for cruise ships galleys



marine public areas

Design, supply and installation of turnkey projects for public areas and living spaces of cruise ships

marine refitting

Refurbishment requests of operating cruise ships fulfilled in navigation and dry-dock

landscape

building façades

System engineering, manufacturing and installation of special building façades

professional cooking equipment

Production of professional food service equipment for restaurants

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

Antonella Lillo
Independent director

Michele Graziani
Independent director

The term of office of the Board of Directors ends with the approval of the financial statements as at 31 December 2019.

Board of Statutory Auditors

Luciano Francini
Chairman of the Board of Statutory Auditors

Annarita Fava
Statutory Auditor

Pasquale Barbarisi
Statutory Auditor

The term of office of the Board of Statutory Auditors also expires with the approval of the financial statements as at 31 December 2019.

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 2020.

Registered office and corporate details

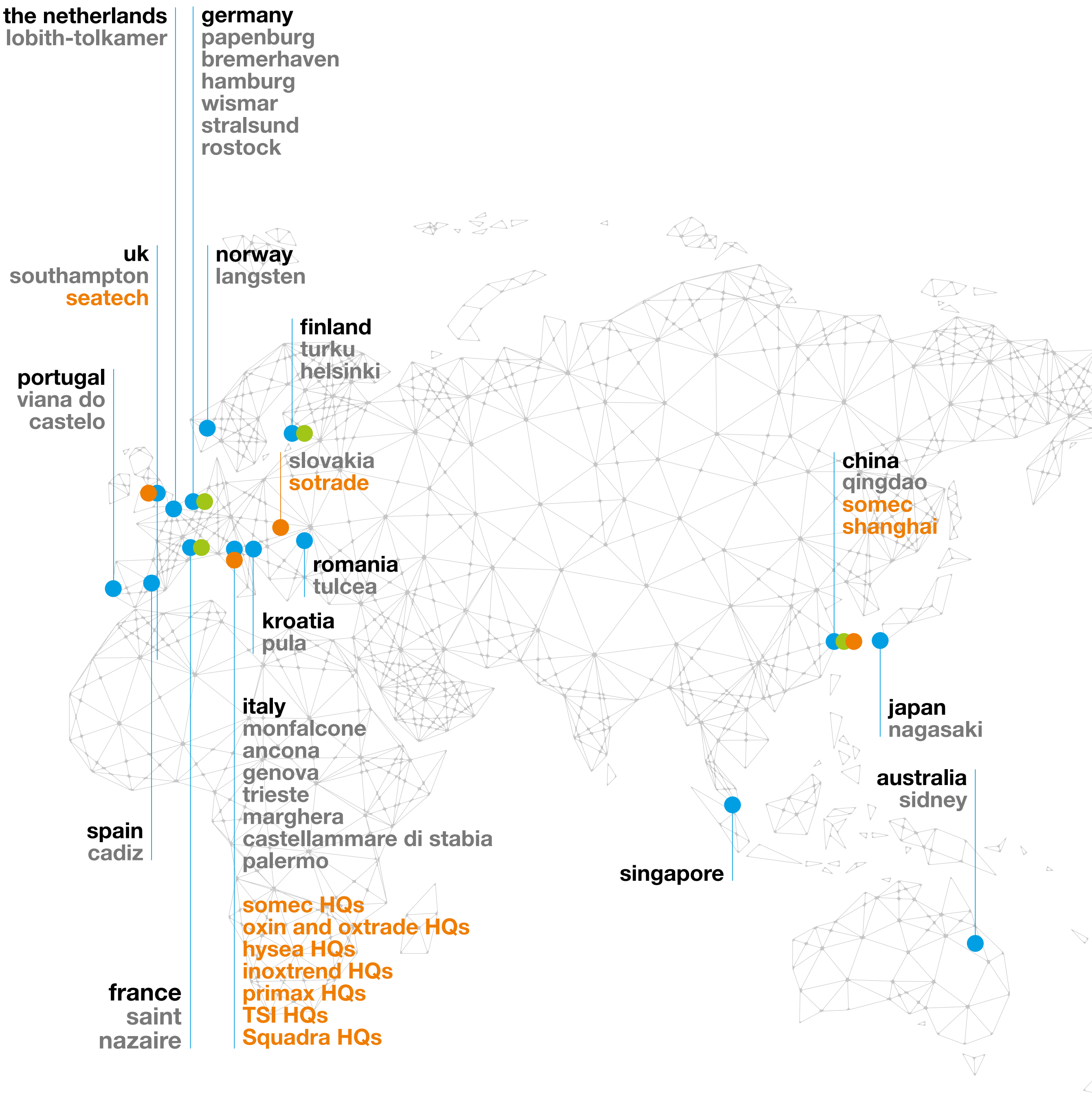
Somec S.p.A.
Via Palù, 30
31020 San Vendemiano (TV)
Italy
Ph: +39 0438 4717
Share capital EUR 6,900,000.00 fully paid in
VAT no. IT 04245710266
www.somecgroup.com

Investor Relations

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

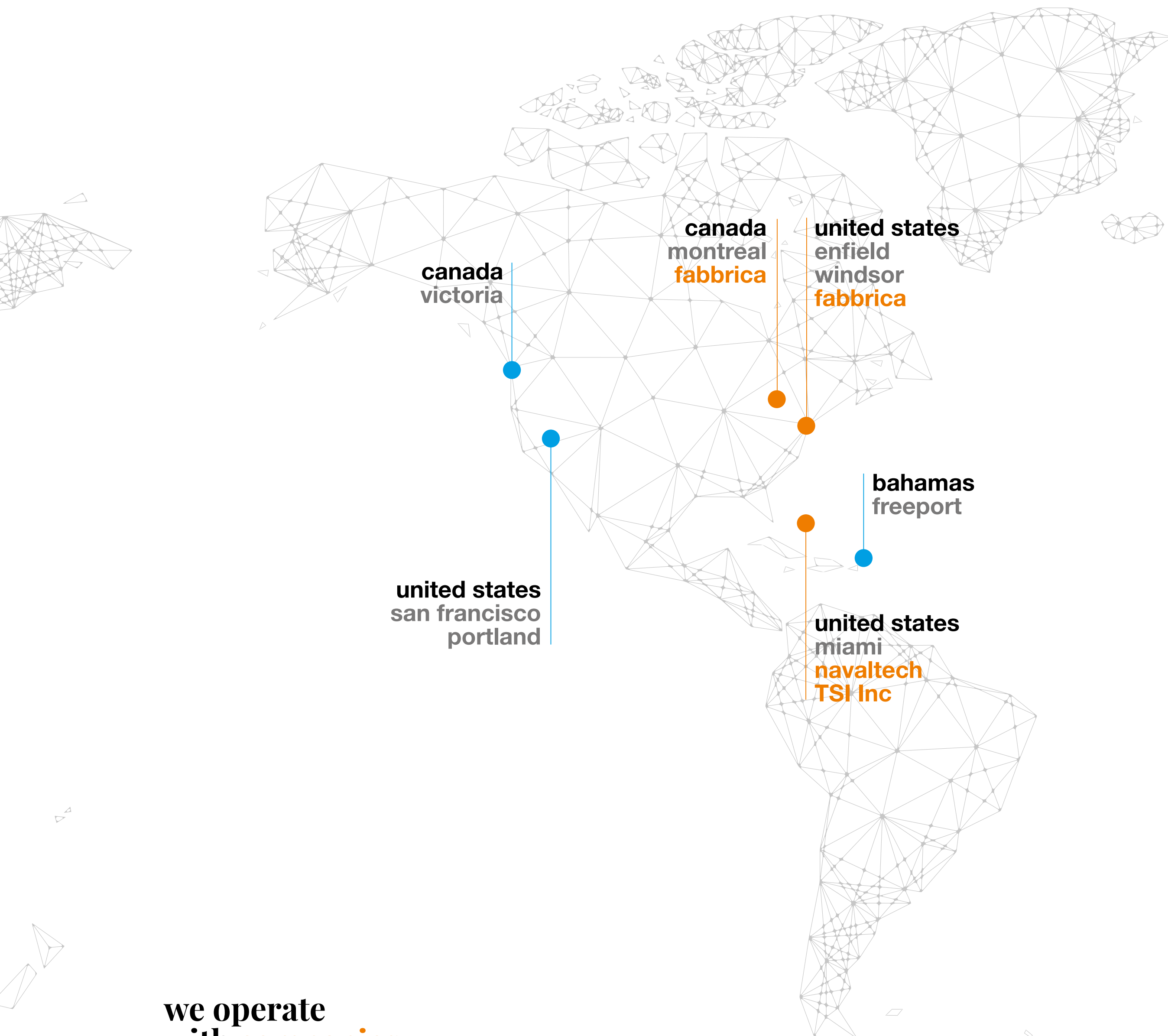

somec

List of Company registered offices



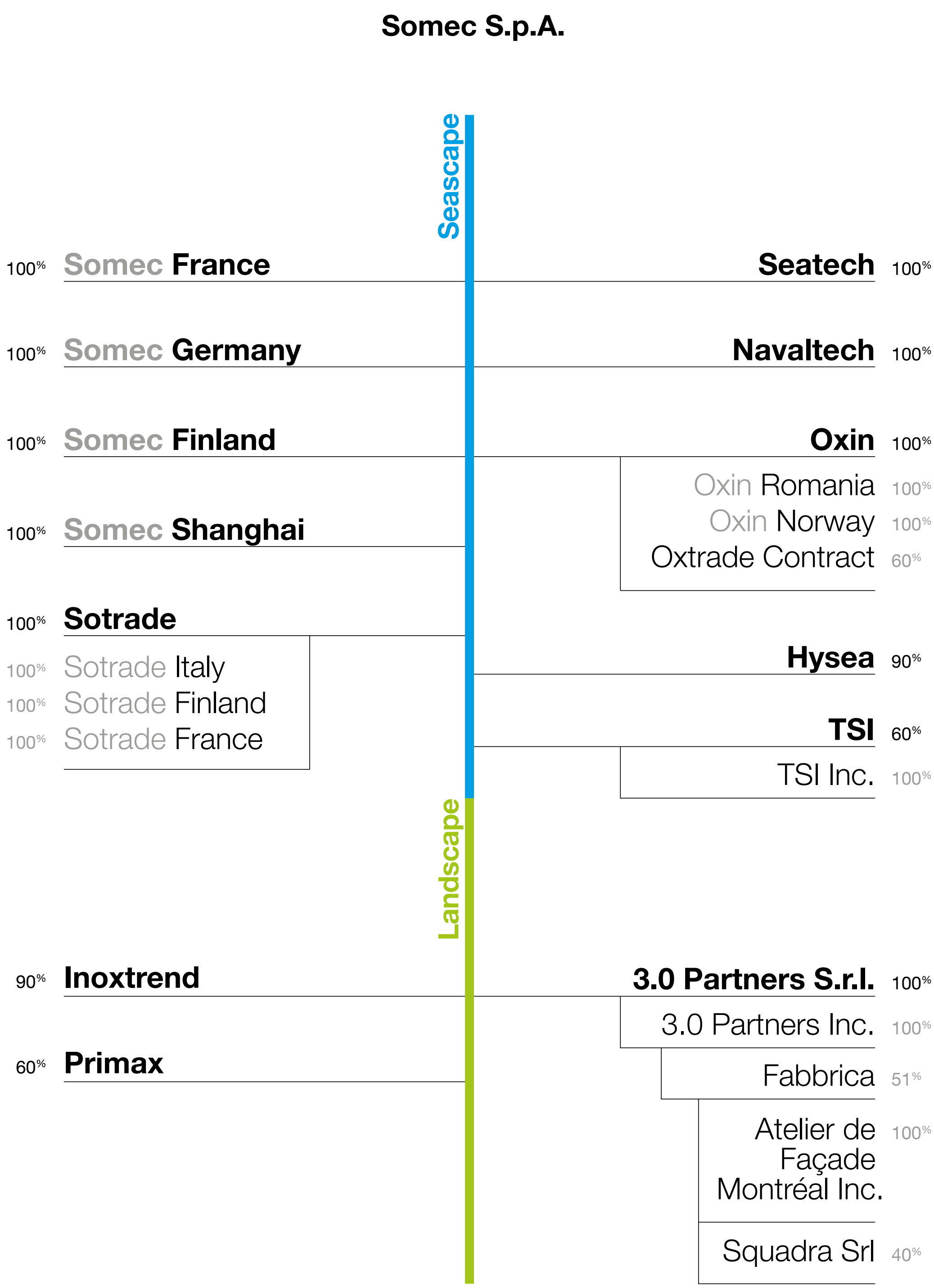
Pursuant to Art. 2428 of the Italian Civil Code, it is hereby stated that the business activities are conducted in Italy at the registered office located in Via Palù 30 in San Vendemiano (Treviso, Italy) and at the warehouse located in Susegana (Treviso, Italy). The Group also operates through stable 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), Montreal (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) and Marghera (Venice, Italy).



we operate with companies and branches on the major yards in the world

Group structure



Consolidation area

As at 30 June 2019 the consolidation area includes the following companies directly or indirectly controlled by Somec S.p.A., all consolidated on a net assets basis:

List of consolidated Companies	Registered office	% ownership	Currency	Share capital
Directly controlled companies				*(currency unit)*
Hysea S.r.l.	San Vendemiano (TV), Italy	90%	Euro	100,000
Sotrade Sro	Piestany, Slovacchia	100%	Euro	92,380
Navaltech LLC	Miami, USA	100%	USD	1,000
Seatech UK Ltd	Southampton, UK	100%	GBP	100
Oxin S.r.l.	Codognè (TV), Italy	100%	Euro	100,000
Inoxtrend S.r.l.	Santa Lucia di Piave (TV), Italy	90%	Euro	122,222
3.0 Partners S.r.l.	San Vendemiano (TV), Italy	100%	Euro	50,000
Primax S.r.l.	San Vito al Tagliamento (PN), Italy	60%	Euro	1,030,000
Total Solutions Interiors S.r.l.	Cantù (CO), Italy	60%	Euro	100,000
Indirectly controlled companies				
3.0 Partners USA Inc.	New York, USA	100%	USD	10,000
Fabbrica LLC	Delaware, USA	50,90%	USD	9,935,407
Atelier de Façades Montreal Inc.	Montreal, Canada	50,90%	CAD	-
Oxtrade Contract S.r.l.	Tg-Mures, Romania	60%	RON	1,000

Compared to 31 December 2018, the consolidation area includes the company Total Solution Interiors S.r.l. (herein after “TSI S.r.l.”). Acquisition of control by the parent company Somec S.p.A. occurred on 20 May 2019. As better explained in the Notes to the financial statements, this is to state that the consolidated income statement of the Somec Group as at 30 June 2019 does not include the economic data of the company TSI S.r.l., of which only the balance sheet data are reported in the consolidated financial statements.

It should also be noted that via Oxin S.r.l. the Group holds a 33% stake in the Italian company Oxtrade S.r.l. put into liquidation in October 2018 and that, via Somec S.p.A. and Fabbrica LLC the Group holds a 25.15% stake in the Italian company Squadra S.r.l..

Moreover, the newly established company Somec Shanghai Co., Ltd has been excluded from the consolidation area considering its irrelevance in terms of the true and correct reporting of the Group’s assets, liabilities and financial position and of its economic outturn in the period.

Finally, the consolidated income statement reported for comparative purposes includes the economic data of the sub-group 3.0 Partners starting from the date closest to that of the acquisition of the controlling majority by Somec S.p.A. (1 April 2018).

Group performance

Trend in orders

In the first six months of 2019, the Group has secured new orders for a total of EUR 182 million, thereby resulting in a backlog[1] of EUR 552 million (including TSI) as at 30 June 2019. In addition to this, at the end of the first half of 2019, new orders amounting to EUR 85 million have been acquired.

The orders that have been secured since the beginning of the year amount to EUR 267 million, 56% of which involving the *Seascape* division with a time horizon reaching 2027, and 44% the *Landscape* division, with a time horizon reaching 2021.

In its portfolio of Italian shipyards the *Seascape* division boasts the projects for 7 new ships involving the *Marine Glazing* segment and one project for a new ship involving the *Marine Cooking Equipmen*t segment. As regards the German shipyards Meyer Werft, there has been a significant increase in the number of orders, concerning three twin ships for the shipowner Disney Cruise Line, with deliveries scheduled in 2021, 2022 and 2023; as regards P&O Cruises, 2 new ships, Iona and its twin, with deliveries scheduled in 2020 and 2021; as regards Aida Cruises, 2 twin ships scheduled for delivery in 2021 and 2023.
As regards the client Chantiers de l'Atlantique, new orders refer to 2 projects for new ships and another 2 projects with an option for the WorldClass cruisers of MSC and 3 projects for the Royal Caribbean ships.
As regards the Portuguese shipyards West Sea of Viana do Castelo, the new orders regard two ships twins of Mistic Cruise, World Voyager and World Navigator, scheduled to be delivered in 2020 and 2021.
In the *Marine Cooking Equipment* segment, three projects have been acquired for the Ponant ship owner and are to be executed at the Vard shipyards.
The *Landscape* division has obtained, in the period in question, orders for three important projects regarding the building of (i) a new 18-story commercial building in Cambridge, the Cambridge Center 3, entirely cladded with 2,000 glazed units for a total surface area of approx. 14,500 m^2, (ii) an 11-story shopping center in Washington DC consisting of two main buildings that enclose a central shaft and with a glazed façade of 12,000 m2, and (iii) a new 17-story commercial building in Boston entirely cladded with 2,700 glazed units for a total surface area of approx. 11,600 m^2.

[1] Considered as the sum of *Backlog* and *Backlog under option* as indicated in the Admission Document.

Performance of the Group in the markets of reference

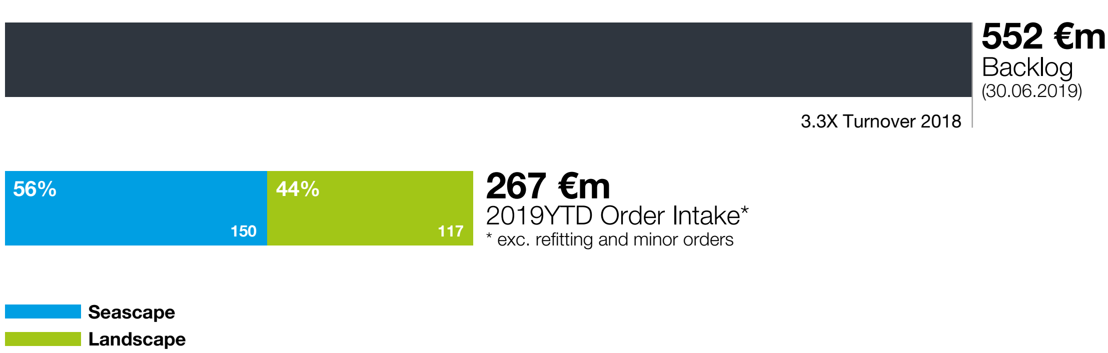
With reference to the *Seascape* division, the growth trend recorded in the last few years is ongoing, outlining a very positive scenario abounding in opportunities, proof of which are the orders acquired that involve all of the major cruiser builders of the world.
According to the world association of cruise lines CLIA (Cruise Lines International Association), in 2019 a target of 30 million cruise passengers should be achieved, resulting in a more than 6% increase compared to the 28.2 million expected in 2018. In 2019, 25 new cruisers will take to sea, thereby bringing to 272 the overall number of vessels that navigate the seas throughout the world.

As regards the *Landscape* division, the subsidiary Fabbrica LLC, just two years after becoming operational, has confirmed its role as major player in the US building façades market, so much so that it has secured orders for USD 40 million and is now considered to be a valid alternative to top ranking competitors.

Backlog

The Group's backlog as at 30 June 2019 has reached a value of EUR 552 million (compared to EUR 433 million as at 30 June 2018), EUR 107 million of which regard the Landscape division with a time horizon of orders in the Group's portfolio reaching 2027. The value of the backlog is proof of the Group's capacity to develop and consolidate its relationships with its clients, guaranteeing the efficiency and efficacy of the technical solutions it proposes and flexibility and versatility in meeting the clients' needs.

Backlog as at 30.06.2019 €m



Economic and financial highlights 1H 2019

Reclassified consolidated income statement

	1H 2019	%	1H 2018	%
In thousand of Euro				
Revenues from sales and services	110,875	90.0%	74,050	95.1%
Change in inventory of finished products, in progress and semi-finished	(71)	-0.1%	104	0.1%
Work in progress	11,539	9.4%	3,534	4.5%
Increases of non-current assets from in-house production	308	0.2%	-	0.0%
Other revenues and income	509	0.4%	144	0.2%
Value of production	123,160	100.0%	77,832	100.0%
Purchases (including change in inventories)	(56,239)	-45.7%	(34,143)	-43.9%
Services	(34,393)	-27.9%	(23,778)	-30.5%
Rents and leases	(2,434)	-2.0%	(1,129)	-1.5%
Personnel	(19,123)	-15.5%	(10,780)	-13.9%
Other operating expenses	(215)	-0.2%	(220)	-0.3%
Operating costs	(112,404)	-91.3%	(70,049)	-90.0%
EBITDA	10,756	8.7%	7,782	10.0%
Depreciation and amortization	(3,718)	-3.0%	(2,988)	-3.8%
EBIT	7,038	5.7%	4,794	6.2%
Financial income (expenses)	(138)	-0.1%	(204)	-0.3%
Value adjustments of financial assets	28	0.0%	-	0.0%
EBT	6,928	5.6%	4,590	5.9%
Income tax	(1,729)	-1.4%	(1,299)	-1.7%
Consolidated net profit	5,199	4.2%	3,291	4.2%
Group net profit	4,291	3.5%	2,630	3.4%
Net profit of minorities	908	0.7%	661	0.8%

Reclassified consolidated balance sheet

	30.06.2019	31.12.2018
In thousand of Euro		
Intangible assets	9,665	8,511
Goodwill	24,193	15,056
Tangible assets	9,684	7,490
Financial assets	178	1,668
Employee benefit and provisions and provisions for risks	(3,750)	(3,696)
Net non-current assets	39,970	29,029
Inventories	10,499	11,879
Work in progress	32,073	22,530
Trade receivables	65,609	51,231
Advance payments	(37,300)	(35,045)
Trade payables	(48,378)	(39,824)
Other current assets and liabilities	652	2,063
Net working capital	23,156	12,834
Net invested capital	63,125	41,863
Group Net Equity	(34,078)	(33,273)
Equity of minorities	(3,289)	(3,098)
Net financial position	(25,757)	(5,492)
Sources of funding	(63,125)	(41,863)

Net financial position

	30.06.2019	31.12.2018
In thousand of Euro		
Bank deposits	17,826	24,921
Cash and cash equivalents	31	13
Liquid assets	17,857	24,934
Current financial receivables	-	1,250
Current financial assets	776	1
Due to banks (within the following year)	(16,917)	(9,563)
Due to other lenders (within the following year)	(1,376)	(198)
Other current financial liabilities	(1,021)	(781)
Short-term financial liabilities	(19,314)	(10,542)
Short-term net financial position	(690)	15,643
Due to banks (beyond the following year)	(23,457)	(15,761)
Financial derivatives	(249)	(109)
Due to other lenders (beyond the following year)	(1,361)	(990)
Liabilities to parents	-	(4,275)
Medium/long-term Net financial position	(25,067)	(21,135)
Net financial position	(25,757)	(5,492)

Cash Flow statement

	1H 2019	1H 2018
In thousand of Euro		
Net result	5,199	3,292
Depreciation and Amortization of non-current assets	3,655	2,886
Other adjustments	1,152	1,230
Change in net working capital	(11,404)	4,921
Cash flow from operations	(1,398)	12,329
Cash flow from investments	(13,766)	2,342
Free cash flow	(15,164)	14,671
Increase/(decrease) of financial liabilities	12,571	(10,175)
Capital increase	95	20,520
Dividends and other changes in net equity	(4,579)	(2,849)
Change in liquid assets	(7,077)	22,167

Net cash and cash equivalents at the beginning of the period	24,934	5,612
Net cash and cash equivalents at the end of the period	17,857	27,779

Comments on economic and financial results

The following table shows the reclassified consolidated income statement of the first half of 2019 compared with the consolidated income statement of the first half of 2018:

Reclassified income statement

	1H 2019	%	1H 2018	%
In thousand of Euro				
Revenues from sales and services	110,875	90.0%	74,050	95.1%
Change in inventory of finished products, in progress and semi-finished	(71)	-0.1%	104	0.1%
Work in progress	11,539	9.4%	3,534	4.5%
Increases of non-current assets from in-house production	308	0.2%	-	0.0%
Other revenues and income	509	0.4%	144	0.2%
Value of production	123,160	100.0%	77,832	100.0%
Purchases (including change in inventories)	(56,239)	-45.7%	(34,143)	-43.9%
Services	(34,393)	-27.9%	(23,778)	-30.5%
Rents and leases	(2,434)	-2.0%	(1,129)	-1.5%
Personnel	(19,123)	-15.5%	(10,780)	-13.9%
Other operating expenses	(215)	-0.2%	(220)	-0.3%
Operating costs	(112,404)	-91.3%	(70,049)	-90.0%
EBITDA	10,756	8.7%	7,782	10.0%
Depreciation and amortization	(3,718)	-3.0%	(2,988)	-3.8%
EBIT	7,038	5.7%	4,794	6.2%
Financial income (expenses)	(138)	-0.1%	(204)	-0.3%
Value adjustments of financial assets	28	0.0%	-	0.0%
EBT	6,928	5.6%	4,590	5.9%
Income tax	(1,729)	-1.4%	(1,299)	-1.7%
Consolidated net profit	5,199	4.2%	3,291	4.2%
Group net profit	4,291	3.5%	2,630	3.4%
Net profit of minorities	908	0.7%	661	0.8%

The value of production in the first half of 2019 amounts to EUR 123,160 thousand, up by approx. 58.2% compared to the previous year's comparable data. The growth is generated by the increase in business volume of the Group's main companies and by the inclusion for the entire half-year period of the results of Fabbrica LLC (consolidated for only three months in the first half of 2018).

The EBITDA amounts to EUR 10,756 thousand, equivalent to 8.7% of the value of production, compared to the EUR 7,782 thousand of the first half of 2018, equivalent to 10% of the value of production. The slight drop in the EBITDA margin is due to the increasing incidence of the *Landscape* division featuring structurally lower profitability compared to that of the *Seascape* division and to the extraordinary operating costs needed to withstand the fast growth in business volumes, the economic returns of which will only be seen in future years, in terms of both operating efficiency and synergies.

The EBIT amounts to EUR 7,038 thousand, equivalent to 5.7% of the value of production, compared to the EUR 4,794 thousand of the first half of 2018, equivalent to 6.2% of the value of production.

The consolidated net profit for the first half of 2019 amounts to EUR 5,199 thousand, equivalent to 4.2% of the value of production, compared to the EUR 3,291 thousand of the first half of 2018. The proportional impact on the value of production remains 4.2%.

Finally, the share of consolidated net profit attributable to the Group amounts to EUR 4,291 thousand, while that of the minority interest (mainly represented by 49.1% of Fabbrica LLC) amounts to EUR 908 thousand.

Following is a summary of the economic data for each one of the two divisions for the first half of 2019 and for the same period in 2018.

	1H 2019			1H 2018		
In thousand of Euro	**Seascape**	**Landscape**	**Total**	**Seascape**	**Landscape**	**Total**
Value of production	78,237	44,923	123,160	59,754	18,078	77,832
EBITDA	8,302	2,454	10,756	6,656	1,127	7,783
EBIT	6,837	201	7,038	4,534	260	4,794

The following table shows the allocation of the major economic aggregates to the two divisions in the first half of 2019:

In thousand of Euro	**Seascape**	**% on value of production**	**Landscape**	**% on value of production**	**Total**
Value of production	78,237	100,0%	44,923	100,0%	123,160
EBITDA	8,302	10,6%	2,454	5,5%	10,756
EBIT	6,837	8,7%	201	0,4%	7,038

With reference to the *Seascape* division, following is the breakdown of the value of production for each one of the division's segments: *Marine Glazing*, *Marine Cooking Equipment* and *Marine Refitting*:

Value of production *In thousand of Euro*	**Marine Glazing**	**Marine Cooking Equipment**	**Marine Refitting**	**Total**
1H 2019	39,429	23,768	15,040	78,237
1H 2018	31,177	17,164	11,413	59,754

With reference to the *Landscape* division, following is the breakdown of the *Building Façades* and *Professional Cooking Equipment* segments:

Value of production *In thousand of Euro*	**Building Façades**	**Professional Cooking Equipment**	**Total**
1H 2019	38,850	6,073	44,923
1H 2018	15,670	2,408	18,078

Finally, in order to provide a comprehensive view of the values commented above, following is a table showing some profitability indices:

Profitability indicators

	1H 2019	1H 2018
ROE	14.4%	9.5%
ROI	11.1%	8.6%
ROS	5.7%	6.2%

The ROE, as the ratio of the Group's net income to its net equity as at 31.12.2018, indicates an excellent return on the net equity, considering that it is based on the results of only one half-year period.

The ROI, as the ratio of the operating profit (EBIT) to the net capital invested at the end of the period, indicates an excellent return on investments, considering that the operating income relates to only one half-year period and the significant increase of the net capital invested.

The ROS, as the ratio of the operating profit (EBIT) to the value of production, shows a satisfactory return on sales.

The reclassified consolidated balance sheet as at 30 June 2019, compared to the consolidated balance sheet as at 31 December 2018, is as follows:

Reclassified consolidated balance sheet

In thousand of Euro	**30.06.2019**	**31.12.2018**
Intangible assets	9,665	8,511
Goodwill	24,193	15,056
Tangible assets	9,684	7,490
Financial assets	178	1,668
Employee benefit and provisions and provisions for risks	(3,750)	(3,696)
Net non-current assets	39,970	29,029
Inventories	10,499	11,879
Work in progress	32,073	22,530
Trade receivables	65,609	51,231
Advance payments	(37,300)	(35,045)
Trade payables	(48,378)	(39,824)
Other current assets and liabilities	652	2,063
Net working capital	23,156	12,834
Net invested capital	63,125	41,863
Group Net Equity	(34,078)	(33,273)
Equity of minorities	(3,289)	(3,098)
Net financial position	(25,757)	(5,492)
Sources of funding	(63,125)	(41,863)

In the first half of 2019, a significant increase in net non-current assets was seen, mainly due to the surplus value paid for the acquisition of TSI S.r.l. and to the first quota of earn out paid to 2.0 Partners LLC as an additional amount for the acquisition of Fabbrica LLC.
More specifically, the acquisition of TSI S.r.l. entailed, as indicated in the Notes to the financial statements, the provisional reporting in the assets of the consolidated balance sheet the sum of EUR 9.5 million as goodwill, while the payment of the additional amount for the purchase of Fabbrica LLC caused an increase by EUR 1,160 thousand of the item ‘goodwill’.
To the above one must add the considerable investments in intangibles, prevailingly involving the expansion of the US production site and the finance leases entered into in the period.

Financial assets mainly refer to the equity investments in the non-consolidated subsidiary Somec Shanghai Co., Ltd and in the associate company Squadra S.r.l..
As at 31 December 2018, the item mainly included cash reports provided by Fabbrica LLC, as a guarantee for the fulfilment of its obligations related to several long-tern orders in progress at the end of the period, that were partially released in the first half of 2019 and then entirely at the date of this report.

The net working capital is significantly higher compared to that at the end of the previous year (from EUR 12.8 million to EUR 23.2 million) due to the increase in trade receivables and in inventories caused by the increase in business volume of the Group’s main companies and to the inclusion of TSI Srl in the consolidation area. This effect is only partially compensated by the contribution of Fabbrica LLC that reports a structurally negative net working capital because it collects advances from clients systematically in advance with respect to the state of progress of the project.

The net invested capital, amounting to EUR 63.1 million, is financed by the net financial position (negative) amounting to EUR 25.8 million, the Group’s net equity amounting to EUR 34.1 million and by the equity of minorities amounting to EUR 3.3 million.
The net financial position indicates the significant investments made in the period and the increase in working capital as a consequence of the greater value of production of the period.
At 31 December 2018, the value of production had significantly decreased due to the capital increase subscription related to the listing operation and the assignment of credit without recourse.
The minority interest relates to the minority shareholders of the subsidiaries Fabbrica LLC, Primax S.r.l., Inoxtrend S.r.l., Hysea S.r.l. and Oxtrade Contract S.r.l..

The following table shows in detail the composition of the consolidated net financial position:

Net financial position

	30.06.2019	31.12.2018
In thousand of Euro		
Bank deposits	17,826	24,921
Cash and cash equivalents	31	13
Liquid assets	17,857	24,934
Current financial receivables	-	1,250
Current financial assets	776	1
Due to banks (within the following year)	(16,917)	(9,563)
Due to other lenders (within the following year)	(1,376)	(198)
Other current financial liabilities	(1,021)	(781)
Short-term financial liabilities	(19,314)	(10,542)
Short-term net financial position	(690)	15,643
Due to banks (beyond the following year)	(23,457)	(15,761)
Financial derivatives	(249)	(109)
Due to other lenders (beyond the following year)	(1,361)	(990)
Liabilities to parents	-	(4,275)
Medium/long-term Net financial position	(25,067)	(21,135)
Net financial position	(25,757)	(5,492)

To further highlight the Group's financial soundness, the following table shows several financial ratios relating to (i) the method of financing medium- and long-term loans, and (ii) the make-up of the sources of funding, compared to the same ratios as at 31 December 2018.

	30.06.2019	31.12.2018
In thousand of Euro		
Equity minus fixed assets margin	(5,892)	4,244
Equity to fixed assets ratio	0.85	1.15
Source of Funding minus fixed assets margin	22,464	28,477
Source of Funding to fixed assets ratio	1.56	1.98

The above indicators are calculated as follows:

- ‘Equity minus fixed assets margin’ is calculated as: Group’s net equity – Net fixed assets;
- ‘Equity to fixed assets ratio’ is calculated as: Group’s net equity / Net fixed assets;
- ‘Source of Funding minus fixed assets margin’ is calculated as: Net Equity (Group and minorities) + Medium and Long-term liabilities – Net fixed assets;
- ‘Source of Funding to fixed assets ratio’ is calculated as: (Net Equity (Group and minorities) + Medium and Long-term liabilities) / Net fixed assets.

The ratios show a solid sources to loans ratio and represent the consistent investments made in the first half of 2019.

The cash flows of the period, compared to those of the first half of 2018, are summarised in the following table:

Cash Flow statement

In thousand of Euro	**1H 2019**	**1H 2018**
Net result	5,199	3,292
Depreciation and Amortization of non-current assets	3,655	2,886
Other adjustments	1,152	1,230
Change in net working capital	(11,404)	4,921
Cash flow from operations	(1,398)	12,329
Cash flow from investments	(13,766)	2,342
Free cash flow	(15,164)	14,671
Increase/(decrease) of financial liabilities	12,571	(10,175)
Capital increase	95	20,520
Dividends and other changes in net equity	(4,579)	(2,849)
Change in liquid assets	(7,077)	22,167
Net cash and cash equivalents at the beginning of the period	24,934	5,612
Net cash and cash equivalents at the end of the period	17,857	27,779

Information regarding the environment and personnel

Personnel

In the course of the first half of 2019, no serious occupational accidents occurred that caused serious or severe injuries. No claims have been made by employees, or former employees, in respect of occupational diseases or instances of mobbing for which the company has been held responsible. The Group has always been committed to safeguarding its relations with its employees.
To date, no labor disputes are under way.

Environment and safety

The Group pays great attention to the protection of the environment and to ensuring the health and safety at the workplace. The safety and protection of the environment are not only considered priority objectives but are also key elements in the Group's growth strategy.
It should be noted that the Group's activities are not of the kind that involve risks or the occurrence of situations that may result in damage to the environment. In the first half of 2019, the Group did not receive any sanctions or fines for environmental crimes or damage for which it was deemed liable in any way.
The Parent Company uses the 'SGSL' health and safety management system as per the OHSAS 18001 standard, even though it has not initiated any procedure for obtaining the related certification.

Investments

The investments made in the first six months of 2019 amount to EUR 5.1 million overall, of which EUR 2.5 million in intangible assets, attributable for approx. EUR 1 million to the expansion of the premises leased by the subsidiary Fabbrica.
The investments in plants and machinery made in the first half of 2019 and amounting to approx. EUR 1.9 million mainly involved I) the continuation of the upgrading of the operating areas of the plants as a consequence of the increasing workload; II) the increase in safety standards of the systems and equipment, and III) the cost for the commissioning of the new production site of the US subsidiary.

The following table summarises the investments, net of goodwill, made in the first half of 2019:

Fixed assets	**Increases in 2019**
In thousand of Euro	
Intangible fixed assets	1,264
Intangible assets in progress and advance payments	1,209
Lands and buildings	160
Facilities and machinery	1,936
Industrial and commercial equipment	348
Other assets	119
Tangible assets under construction and payments in advance	53
Total	**5,089**

Research & Development

In the course of the half-year period, Somec launched the development of a web and cloud platform destined to serve the Group's business units, starting with *Marine Cooking Equipment* and *Marine Glazing*, so as to provide dedicated services to the end client and to the technical assistance in the shipbuilding sector. The first version of the platform has already been presented to the clientele of reference: the IQGalley system, designed to monitor and reduce ship galley expenditure.
In the future, this platform will be used in other cloud- or web-based services, firstly in the naval sector for the management of the windows and doors systems on passenger cabins and common areas, further optimising the monitoring of the devices on board the ship, with an aim to increase the comfort of passengers and to reduce energy consumption.

In the *Seascape - Cooking Equipment* segment, also due to F-gas Regulation No. 517/2014 that as of 2020 will ban the sale of industrial refrigeration systems fitted with HFC gases with a GWP (global warming potential) greater than GWP = 2500, a project is being developed to verify whether current systems are capable of functioning with the same components using alternative gases, in compliance with the regulation on fluorinated greenhouse gases, or whether (minimum, partial or significant) replacement is required. The project's aim is to optimize the refrigeration system and make it compliant with the regulation and better performing, thereby guaranteeing best performance, reduction in energy consumption and cost optimization.

In the *Landscape - Building Façades* segment, Fabbrica LLC with the support of Squadra Srl continues to conduct R&D work on ad hoc curtain wall systems designed to meet the requirements of the new projects acquired.

In the *Landscape - Professional Cooking Equipment* segment, R&D is focusing on the development of medium-/high-end products aimed at completing the entry level line renovated in 2018.


MON 09:42
REGAL PRINCESS
26 L
34 L
28 %
22 %
240
390
37
51
75%
5,900
TOTAL


MON 09:42


MON 09:42
GALLEY CAMERA 01
8 %

Relations with associate companies, controlling companies and companies controlled by the controlling companies

In the period, Somec Group did commercial and financial business with controlling companies and with companies controlled by the controlling companies.
The transactions mentioned above basically involved the supply of services, real estate rents and the provision of financial resources. They refer to ordinary administration and are regulated by market conditions, namely the conditions that are or would be applied between the two independent parties.
For further details regarding the credit/debit exposure as at 30 June 2019 and the income and charges matured with related parties in the first half of 2019, please refer to the corresponding section in the Notes to the financial statements.

Own shares and shares of/stakes in controlling companies

The Parent Company does not own any shares of the controlling company, neither through trust companies nor through third parties (art. 2428 No. 3 of the Italian Civil Code).
During the course of the year, Somec S.p.A. did not sell shares of the controlling company, neither through trust companies nor through third parties (art. 2428 No. 4 of the Italian Civil Code).

Disclosure of risks and uncertainties

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

Operational complexity risks

Due to the inherent operational complexity of the building construction and shipbuilding industries, and as a result of geographical diversification and expansion along external lines, the Group is exposed to the risk of not being able to: (a) adequately supervise the project management activities; (b) adequately manage the operational, logistical and organizational complexity of the Group; (c) correctly represent the operational management events and features in the financial reports.
If the Group proves unable to implement adequate project management activities via procedures and actions aimed at sufficiently or effectively controlling the proper completion and efficiency of its construction processes and accurate financial reporting, or to adequately manage the group synergies, transactions with counterparties, or the efficient distribution of workloads according to production capacity (plants and workforce) available, from time to time, at the production sites, it could record a decrease in revenues and profitability with a possibly negative impact on its assets and liabilities and economic and financial situation.

To manage such complex processes, the Group has put into place procedures and activity plans aimed at managing and monitoring the implementation of each individual project throughout its lifetime. In order to safeguard the integration processes, we have established continuous communication channels between the Group entities, at times with the provision of resources by the controlling company. Furthermore, the Group has adopted a flexible production organisation in order to respond efficiently to fluctuations in shipbuilding market demand in the various business areas.
The Group implements actions aimed at improving production and design processes to strengthen competitiveness and increase productivity.

Reference market and competition risks

Inadequate market coverage by the Group and non-timely responses to both the challenges by competitors and customer needs may result in a loss of competitiveness, with an ensuing impact on production volumes, and/or less remunerative prices, with a drop in profit margins.
In any case, the Group exercises vigilance to mitigate its market risks, both by implementing customer base diversification policies, in respect of its package of orders, and through careful planning, also by concluding framework agreements for the procurement of raw materials.
To mitigate the risks arising from the competitive policies implemented by the Group's competitors and from the possible entry of new players into the market, the Group ensures high quality and innovative product standards, together with the search for customised cost optimisation solutions and the flexibility of technical solutions to ensure continued competitiveness, with respect to the competition encountered in the presentation of commercial offers.

Contract management risks

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

Financial risks

The Group is not significantly exposed to financial risks.
The main risk, following the significant growth in the business of the US-based subsidiaries (in particular Fabbrica LLC), 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 Company 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 currency risks in relation to the operations of its US-based subsidiaries. At present, the Group has decided not to implement any exchange rate risk management and containment policies, also in consideration of the fact that this is not a transaction-related risk but a risk arising from the investments made in the subsidiaries.

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 Company'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.

Audits and inspections

During 2018, the Parent Company was subjected to a tax assessment for the 2013-2014 tax period, which resulted in the notification of an assessment report and a notice for the year 2013 only.
Following the negative outcome of a settlement attempt by the company, in June 2019 an appeal was lodged against the tax assessment with the Provincial Tax Board of Treviso.
The decision expressed in the financial statements for the year ended 31 December 2018 not to allocate any provisions for risks, due to the small value of the dispute relating to the 2013 financial year, remains unchanged, pending the assessment and quantification of the tax risk relating to the 2014 financial year.

Business outlook

The higher than expected growth recorded in the first half of the year has produced a certain optimism concerning the overall trend for the second half of 2019, and at least confirms the turnover forecasts relating to the Group for 2019.
In particular, with regard to the *Landscape* division, Fabbrica, having already achieved the goals set for 2019 well in advance, and being able to count on a production capacity that has now tripled and is at full capacity, promises more than encouraging results in the whole of 2019 (orders were secured in September totalling USD 70 million).

With regard to the *Seascape* division, without prejudice to the growth of the core shipbuilding business, the acquisition of TSI, which, in the first half of the year, only impacted in terms of capital, will make its contribution in economic terms during the year, enabling a further increase of profitability.
The good performance of the *Refitting* sector has continued, reflecting in revenue growth thanks to the maintenance service linked to Hysea and to the consolidation of Somec Group synergies which, following the entry of TSI Srl, will provide customers with all-round service ranging from the renovation of cabins and public areas to interior design and cooking equipment contracting (Somec-TSI-Oxin).
As part of this strategy, Somec Group intends to strengthen its presence also on the Asian market by promoting a broadened offer, including all the *Seascape* division services *(Marine Glazing, Marine Cooking Equipment and Public Areas)*.

The market data, in fact, confirm the growing business opportunities in the Asian market for the shipbuilding sector. In 2018, the Asian cruise routes accounted for about 9% of the global routes, while the sector studies forecast, for 2030, between 80 and 100 cruise ships in the Chinese market, which would lead to a conservative estimate of 20 million passengers per year
(Source: Cruise Industry News, 2018 “China 2030: 20 Million Cruise Passengers”).