Somec S.p.A.

Annual Report 2021

Directors' Report

Consolidated financial statements
and separate financial statements
as at 31 December 2021

Letter from the Chairman to shareholders

Dear Shareholders,

in the letter I addressed to you accompanying the 2020 financial statements, I described that year as “one of the most trying and challenging in recent history. An event of such scale and unpredictability, which has had an immense impact on lifestyles and economic prospects the world over”. 2021 was no less difficult, and now in 2022, with the Ukraine tragedy and war in Europe, the way forward will be just as difficult to navigate.

If I look at the figures SOMEC has posted in the year just ended, I can safely say that the Group’s future is already upon us, and it is a future that looks very promising. In 2021 revenues grew by 16% compared to 2020, reaching 258.5 million Euro, while profits grew by 659%.

The near future looks very bright, also considering the trust that our customers have placed in the Group. This is demonstrated in particular by the order backlog as at December 31, amounting to 921 million Euro, which will enable us to mitigate any unforeseen events, and by the net financial position, which has improved by over 16 million Euro. These figures are indicative of a performance that has exceeded the results obtained in pre-pandemic 2019.

Current events are not having a direct effect on our results, since we do not have customers in the countries most exposed to the conflict. The supply chain is also not directly affected by the current international backdrop.

2021 was not only a year of great financial satisfaction, it was also the starting point of a new adventure, a journey that will take us to unexplored and fertile lands, where business opportunities with the highest potential are awaiting us. We have reorganised our business areas, creating three important segments: engineered systems for naval architecture and building façades, professional kitchen systems and products, and design and production of bespoke interiors, thus leaving behind in 2022 the seascape and landscape divisions.

Last February we also founded Mestieri S.r.l., in order to beef up the division dedicated to the design and creation of high-end custom interiors. The aim is to roll out high-end turnkey projects, making the most of the skills and know-how of Italian craftsmen highly specialised in working a wide range of materials, from metals and marbles to precious woods, leathers and fabrics.

Mestieri was created to bring together the excellence of artisans offering unique skills, incorporated in a model adopted to manage the most complex of projects, paving the way for higher value orders. I am convinced that this new organisation will enable us to grasp further growth opportunities.

We have undertaken significant investments in the division dedicated to professional kitchen systems and products, crowned by the presence of GICO at the Dubai Expo as official Silver Sponsor of the Italian Pavilion, and with the overall consolidation of all of our companies that operate in this business, making them recognised partners throughout the high-end segment. These investments will continue in 2022, and I am sure they will take this segment further.

Our future will obviously be built from the sound foundations we have laid in recent years. In particular, I believe that we will grow further in the US market, thanks to FABBRICA, now an accredited local player in the engineering of curtainwall systems. Over the years its turnover has become a veritable pillar for the whole Group.

In the United States, where we will continue to make relevant investments in the next few years, we are in the best market and competitive position to seize all the opportunities that will arise in the near future. Particular focus will be on the renovation of skyscrapers, with a view to making them environmentally sustainable. In New York City a law has been passed requiring the modernisation of 40,000 buildings by 2030 to make them sustainable. It is reasonable to assume that this need will soon spread to other areas of the country. It is an industry that is destined to grow, and we are in the most favourable position to be a market leader. In the United States we are seen as one of the best companies as regards the design and production of complex facade projects.

In overseas markets we are trying to penetrate the *professional cooking* and *interior creation* segments, where there is room for further growth, and where the Made in Italy brand has always been and will continue to be appreciated.

At the same time, we have acquired the company Bluesteel and ventured sure-footedly into Europe, a continent in which Bluesteel has worked for a long time, and where the expertise of its professionals is very much valued. Here we intend to replicate the success of FABBRICA, with a particular focus on the UK market, where considerable development opportunities already exist, through high-value orders.

Expected growth will be financed internally, thanks to our ability to generate revenues, as evidenced by the Group's net financial position. Over 70% of our Ebitda is turned into liquidity, and the Group's investments and possible acquisitions will be financed using the Group's resources and partly through physiological bank borrowing.

Let me end by saying that I am reasonably optimistic about the foreseeable future: my optimism is based not on dreams but on our recent journey, on studies and programming, and our ambitions are backed up by the figures we have already achieved. All things to really make us dream!

Thank you,

Oscar Marchetto
Chairman of Somec S.p.A.

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 approved by the Board of Directors on 23 March 2022.

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 period, 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;
- **EBITDA *margin*** is obtained from the ratio of EBITDA to the sum of Revenues from contracts with customers and Other revenues and income;
- **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 as defined by the new ESMA Guidelines dated 4 March 2021 (see Consob Notice no. 5/21 of 29 April 2021).

Corporate bodies and company 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.

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 statutory audit will be performed by the auditing firm EY S.p.A. 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.somecgruppo.com

Investor Relations

email: investorrelations@somecgruppo.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

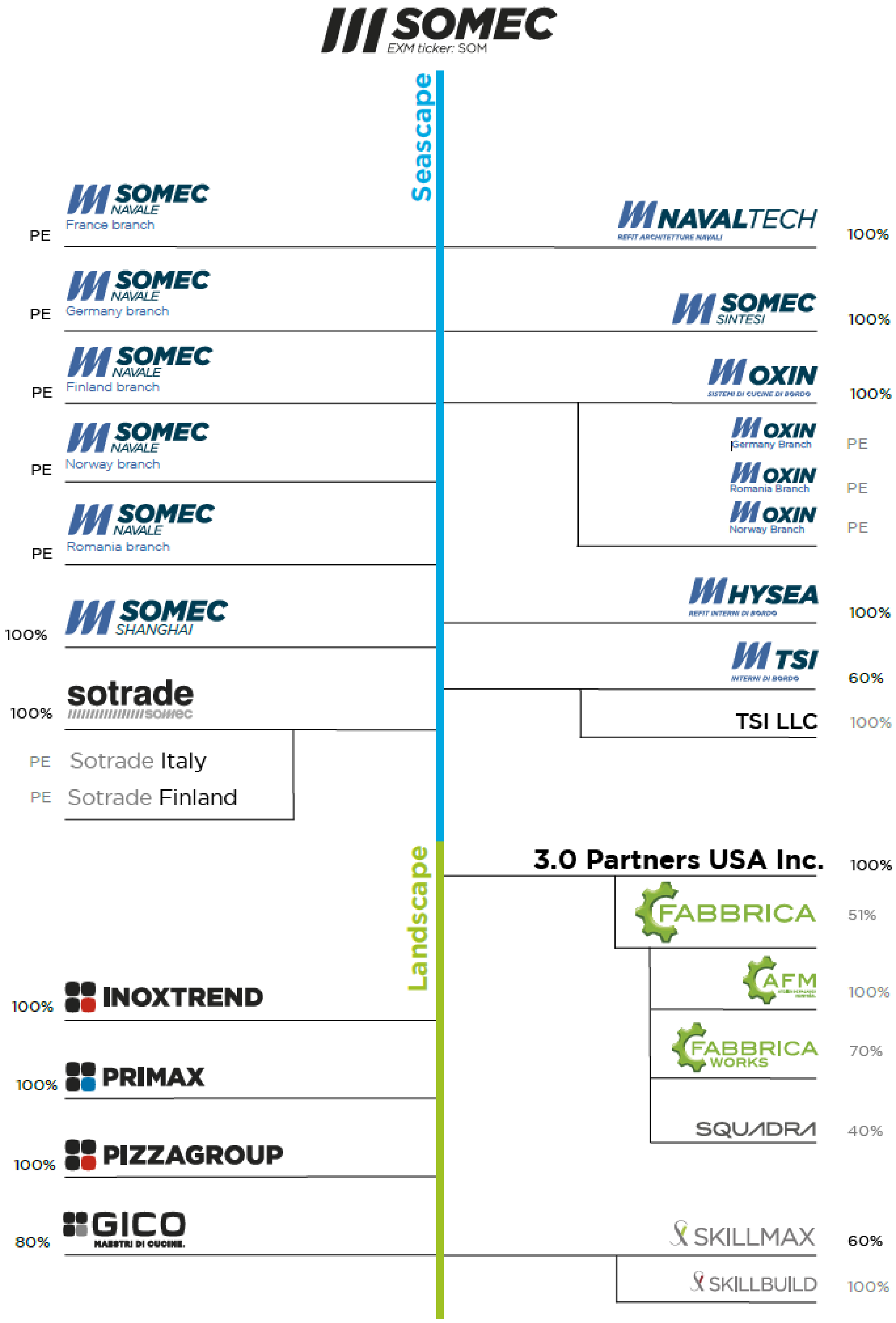
The Seascape division places Somec Group as one of the world's leading players in the segment of design, customised production and installation of glass envelopes used in the construction of new cruise ships (Marine Glazing), design and installation of custom-made catering areas for cruise ships (Marine Cooking Equipment) and outfitting of 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). Through 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 2021.



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

Scope of consolidation

As at 31 December 2021 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)	Euro	120,000
Hysea S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
Inoxtrend S.r.l.	Santa Lucia di Piave (TV)	100%	Euro	622,222
Navaltech LLC	Miami (USA)	100%	USD	1,000
Oxin S.r.l.	Codognè (TV)	100%	Euro	100,000
Pizza Group S.r.l.	San Vito al Tagliamento (PN)	100%	Euro	12,000
Primax S.r.l.	San Vito al Tagliamento (PN)	100%	Euro	1,030,000
Skillmax S.r.l.	San Biagio di Callalta (TV)	60% (2)	Euro	500,000
Somec Sintesi S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
Somec Shanghai Co., Ltd	Shanghai (Cina)	100%	CNY	984,922
Sotrade S.r.o.	Piestany (Slovacchia)	100%	Euro	92,380
Total Solution Interiors S.r.l.	Cantù (CO)	60% (2)	Euro	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	10,000,000
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	35.63% (3)	Euro	100,000
Skillbuild S.r.l.	San Biagio di Callalta (TV)	60% (2)	Euro	20,000
Total Solution Interiors LLC	Miami (USA)	60% (2)	USD	293,034

(1) The GICO S.p.A. acquisition includes “Put and Call” options on the minority stake, exercised on 15 February 2022. Minority interests are not recognised in the consolidated income statement in light of the “Put and Call” options in place.

(2) 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.

(3) 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 31.12.2021.

During the first half of 2021, the Parent Company acquired the remaining 10% of the share capital of its subsidiaries Hysea S.r.l. and Inoxtrend S.r.l. from minority shareholders. According to this agreement, Somec S.p.A. now owns 100% of the shares of the two subsidiaries.
Moreover, on 31 March 2021, Somec exercised its call option early on the 40% stake in Primax S.r.l. previously held by a minority shareholder via the company Art.Serf. S.p.A.. As a result, the Parent company owns 100% of Primax S.r.l. share capital as at 31 December 2021.
What’s more, following completion of a voluntary liquidation procedure, the Group’s UK subsidiary, Seatech UK Ltd. ceased operations.
It is worth noting that in January 2021 the subsidiary Skillmax established Skillbuild S.r.l. with the aim of serving the market of private residential property renovation in order to offer integrated management of energy-efficient redevelopment projects.
In November 2021 the subsidiary Oxin S.r.l. sold its shareholding in the company Oxtrade Contract S.r.l., which is therefore no longer within the Group’s perimeter. Finally, in December 2021, Somec Sintesi S.r.l. was established, a wholly owned subsidiary of Somec S.p.A., operating in the area of European naval *refitting*.

List of Company premises

Pursuant to article 2428 of Italy's Civil Code, the Company operates in Italy at its registered office in Via Palù 30 in San Vendemiano (TV), its premises in Via Palù 32, 34 and 38, also in San Vendemiano (TV), and a warehouse in Susegana (TV).
The Group also operates through permanent establishments in Saint Nazaire in France, Turku in Finland, Papenburg, Wismar and Rostock in Germany, Tulcea in Romania, Sovik, Ulstein and Langsten in Norway.
The Group is also active in Miami (USA), Connecticut (USA), Delaware (USA), Montréal (Canada), Piestany (Slovakia), Bucharest (Romania), Santa Lucia di Piave (TV), Codognè (TV), San Vito al Tagliamento (PN), Cantù (CO), Aprilia (LT), San Biagio di Callalta (TV) and Vazzola (TV).

Significant events during the year end 2021

Establishment of Skillbuild
On 19 January 2021, the newly acquired company Skillmax S.r.l. created Skillbuild S.r.l. with the aim of serving the market of private residential property renovation following the government fiscal incentives for sustainable building.

Early exercise of Put and Call options on Primax shareholding
On 31 March 2021, the call option on the 40% stake in Primax S.r.l. previously held by a minority shareholder (through the company Art.Serf. S.p.A.) was exercised before expiration. Consequently, as at 31 December 2021 the Parent Company holds 100% of Primax S.r.l. share capital.

Acquisition of Inoxtrend and Hysea minorities
During the first half of 2021, the Parent Company acquired the remaining 10% of the share capital of the subsidiaries Hysea S.r.l. and Inoxtrend S.r.l. from minority shareholders. According to this agreement, Somec S.p.A. now owns 100% of the shares of the two subsidiaries.

ESG rating
On 7 July 2021, Somec Group received an assessment of its ESG risk from Sustainalytics, a leading independent rating firm. The rating measures a company's exposure to industry-specific material ESG risks and how well a company is managing those risks: Somec S.p.A. received an ESG Risk Rating of 24.5, ranking it at 43rd place out of 133 companies within the industry.

Agreement for the acquisition of Bluesteel
On 27 July 2021, Somec S.p.A. signed an agreement for the acquisition of 60% of the shares of Bluesteel S.r.l., a European player in the field of engineered systems for façades and windows. The Bluesteel deal will expand the Building Façades division in Europe.

Treasury share purchase programme
On 12 October 2021 Somec S.p.A. initiated a programme to purchase treasury shares based on the resolution approved by the Shareholders' Meeting of 29 April 2021. This programme is designed to enable Somec S.p.A. to: (i) have treasury shares that can be allocated to service the long-term variable incentive plan, reserved for some of the Group's strategic resources, this too approved by the Shareholders' Meeting of 29 April 2021; (ii) have a "stock reserve" to service any extraordinary transactions and/or possible use of shares as consideration in extraordinary transactions with other parties, as part of transactions of interest to the parent company.
On 8 November 2021 the treasury share buyback programme ended: a total of 17,804 treasury shares were purchased, corresponding to 0.26% of the share capital, for a total value of 599 thousand Euro, at a weighted average price of 33.6478 Euro.

Sale of Oxtrade Contract
On 11 November 2021 the subsidiary Oxin S.r.l. sold to third parties its 60% share of the company Oxtrade Contract S.r.l., based in Romania and specialising in in Romanian and Norwegian shipyard installations.

Negotiations to raise equity interest in US subsidiary Fabbrica LLC
On 17 November 2021 Somec S.p.A., through its direct subsidiary 3.0 Partners USA Inc., announced the start of negotiations with the minority shareholder - the company 2.0 Partners LLC - aimed at increasing its controlling interest in US company Fabbrica LLC (up to 70.9% of the share capital) and having a greater involvement and say in the management of the company.

Establishment of Somec Sintesi

On 13 December 2021 Somec S.p.A., as sole shareholder, established the company Somec Sintesi S.r.l., dedicated to naval *refitting* in Italy and Europe.

Significant events after year end 2021

Agreement on raising the controlling interest in Fabbrica LLC

On 3 January 2022 Somec S.p.A., through its direct subsidiary 3.0 Partners USA Inc., signed an agreement for the acquisition of an additional 20% stake in the share capital of its US subsidiary Fabbrica LLC from minority shareholder 2.0 Partners LLC. The transaction will be completed by no later than 30 April 2022. After the closing Somec S.p.A. will increase its indirect controlling interest from the current 50.9% to 70.9%.

Finalisation of the Bluesteel acquisition

On 13 January 2022 Somec S.p.A. completed the acquisition of 60% of the share capital of Bluesteel S.r.l., a player in the European market of engineered systems for façades and windows. This acquisition marks a continuation of the strategy of consolidating the Group's presence in the Building Façades segment. The growing demand for building renovation, in terms of environmental sustainability and reduction of waste and running costs, will allow further growth of the division in both the American and European markets.

Early acquisition of remaining 20% of GICO

On 16 December 2021 Somec S.p.A. signed an agreement for the early purchase of the remaining 20% of GICO's share capital, acquired in July 2020. Following the completion of the purchase on 15 February 2022, Somec S.p.A. increased its controlling interest from 80% to 100%, becoming its sole shareholder.

Establishment of Mestieri

In February 2022 Mestieri S.r l. was established, a company 100% controlled by Somec S.p.A. and based in San Vendemiano (TV). The basic plan is to roll out turnkey projects for custom interiors, in order to expand the parent company's business and strengthen the division devoted to the design and creation of high-end interiors.

Order Backlog

During the year 2021, the Group received over 318 million Euro of order intake.

Total Group Backlog[1] reached 921 million Euro as at 31 December 2021 (exceeding the 767 million Euro total of 31 December 2020 by 154 million Euro), of which 639 million Euro in the Seascape division and 282 million Euro in the Landscape division, with a time horizon of the order portfolio until 2030. Of the total Backlog amount of 921 million Euro, options account for 23.7%.

The following table summarises the year-on-year historical Backlog trend.

Total Group Backlog by year-period (million Euro)

2018	2019	2020	2021
431	638	767	921

The following chart shows the total Backlog (as at 31 December 2021) breakdown by scheduled delivery year. It is worth noting that, due to the characteristics of the specific business, the planning horizon of the Landscape - Building Façades segment is no longer than two years, representing the average time between order signing and delivery.

Total Backlog breakdown by scheduled year (% of total)

2022	2023	2024	2025	2026	2027	2028	2029	2030
23.3%	23.5%	21.1%	11.5%	10.2%	6.4%	2.4%	1.4%	0.2%

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
38.4%	19.1%	11.9%	30.6%

The following table shows a summarised breakdown of Seascape Backlog, accounting for 69.4% of total Backlog, split by the main cruise operators.

Seascape Backlog by cruise operator (%)

A	B	C	D	E	Others ancillary	Total
24.5%	19.8%	16.7%	15.9%	14.5%	8.6%	100%

[1] Total Backlog: Backlog plus Backlog under option, as described in the Introduction regarding the Alternative performance indicators.

Somec Group operating performance

Results

Below is the reclassified consolidated income statement as at 31 December 2021 and 31 December 2020.

Reclassified consolidated income statement

Amounts in €/000	**2021**	*%*	**2020 restated ***	*%*	Δ%
Revenue from contracts with customers	250,550	*96.9%*	222,068	*99.4%*	*12.8%*
Other revenues and income	7,930	*3.1%*	1,356	*0.6%*	*484.8%*
Total revenues	**258,480**	***100.0%***	**223,424**	***100.0%***	***15.7%***
Materials, services and other costs	(188,841)	*-73.1%*	(164,314)	*-73.5%*	*14.9%*
Personnel costs	(46,597)	*-18.0%*	(40,420)	*-18.1%*	*15.3%*
Operating costs	**(235,438)**	***-91.1%***	**(204,734)**	***-91.6%***	***15.0%***
EBITDA	**23,042**	***8.9%***	**18,690**	***8.4%***	***23.3%***
Depreciation and amortisation	(15,920)	*-6.2%*	(20,967)	*-9.4%*	*-24.1%*
EBIT	**7,122**	***2.8%***	**(2,277)**	***-1.0%***	***-412.8%***
Net financial income (expenses)	4,081	*1.6%*	3,612	*1.6%*	*13.0%*
Net results from associate companies	82	*0.0%*	112	*0.1%*	*-26.8%*
EBT	**11,285**	***4.4%***	**1,447**	***0.6%***	***679.9%***
Income taxes	(507)	*-0.2%*	(26)	*0.0%*	*n.m..*
Consolidated Net Profit	**10,778**	***4.2%***	**1,421**	***0.6%***	***658.5%***
Non-controlling interests	2,332	*0.9%*	(1,193)	*-0.5%*	*-295.5%*
Group Net Profit	**8,446**	***3.3%***	**2,614**	***1.2%***	***223.1%***

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3.*

The Group's **consolidated economic situation** at 31 December 2021 showed revenues of 258.5 million Euro, compared to Euro 223.4 million Euro at 31 December 2020, a rise of 15.7%. This result confirmed the full recovery of business activity, also considering the positive effects of public contributions to support the economy provided to the US subsidiary, partly to remedy inefficiencies caused by the pandemic during the year and the previous year.

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

	2021	**2020**
Italy	*29.1%*	*21.3%*
Europe (excluding Italy)	*23.3%*	*28.9%*
North America	*40.0%*	*42.6%*
Rest of the World	*7.6%*	*7.2%*

Consolidated **EBITDA** amounts to 23 million Euro at 31 December 2021, up 23.3% on 18.7 million Euro at 31 December 2020, with an EBITDA margin of 8.9% compared to 8.4% during the previous year.

Personnel costs amounted to 46.6 million Euro at 31 December 2021, compared to 40.4 million Euro at 31 December 2020. This item was affected by the use of layoffs and redundancies in 2020, while in 2021 it was affected by a non-recurring variable component linked to employee benefits for a Group subsidiary, amounting to 2.1 million Euro, by the medium-long-term incentive plan and by performance bonuses.

Depreciation and amortisations amounted to 15.9 million Euro, compared to 21 million Euro on 31 December 2020. These were affected by impairment test write-downs on the value of goodwill recognized in the TSI CGU.

Consolidated **EBIT** stood at 7.1 million Euro as at 31 December 2021 compared to the negative 2.3 million Euro in year 2020, with a margin of 2.8% compared to negative -1.0% in the previous year. The improvement benefited from the full operation of the Group's segments, the absence of impairment losses and of translisting costs in 2020, as well as financial aid received by US subsidiary Fabbrica LLC of 5.4 million Euro.

The item **Financial income (expenses)** amounted to a positive 4.1 million Euro compared to a positive 3.6 million Euro in year 2020. It should be noted that during 2021 the restating of the fair value of the option for the minority shareholders of Total Solution Interiors S.r.l. generated a non-recurring income of 4.8 million Euro, which had manifested for a similar amount in the previous year, together with income deriving from the business combination of Pizza Group S.r.l., totalling 1.5 million Euro.

Consolidated Net Profit for the period amounted to 10.8 million Euro compared to 1.4 million Euro as at 31 December 2020. The net profit margin is 4.2% for the year 2021, compared to 0.6% in 2020.

Group Net Profit stood at 8.5 million Euro, compared to 2.6 million Euro in 2020.

Non-controlling interests for the period was positive at 2.3 million Euro compared to a negative result of 1.2 million Euro as at 31 December 2020.

Seascape and Landscape

Below is a summary of the key income statement figures for the two divisions as at 31 December 2021 with comparative figures for 31 December 2020.

	2021			2020		
Amounts in €/000	**Seascape**	**Landscape**	**Total**	**Seascape**	**Landscape**	**Total**
Total Revenues	134,854	123,626	258,480	132,999	90,425	223,424
EBITDA	9,719	13,323	23,042	13,824	4,866	18,690
EBIT	3,115	4,007	7,122	3,373	(5,650)	(2,277)

	2021			2020		
% of total revenues	**Seascape**	**Landscape**	**Total**	**Seascape**	**Landscape**	**Total**
EBITDA margin	7.2%	10.8%	8.9%	10.4%	5.4%	8.4%
EBIT margin	2.3%	3.2%	2.8%	2.5%	(6.2%)	(1.0%)

Total revenues per business unit showed the following performances:

- Seascape division: revenues +1.4% (134.9 million Euro as at 31 December 2021 compared to 133 million Euro as at 31 December 2020);
- Landscape division: revenues +36.7% (123.6 million Euro as at 31 December 2021 compared to 90.4 million Euro as at 31 December 2020).

EBITDA margin:

- Seascape*:* EBITDA margin 7.2%, compared to 10.4% as at 31 December 2020. The decrease during the year, mainly attributable to the subsidiary Total Solution Interiors, was influenced by restrictive Covid measures in force in Asian markets, the slowdown and higher costs of new building, maintenance and refitting of ships' interiors, offset only partially by the solid results of the European new building market in the marine glazing and marine cooking equipment segment. It is also noted that the early months of 2020 benefited from the performance of the refitting segment, which had higher margins than the new building segment, whose contribution was minimal in 2021 due to the pandemic;
- Landscape: EBITDA margin 10.8% compared to 5.4% as at 31 December 2020. It is noted that, even without taking into account the benefits resulting from Covid-related contributions (Paycheck Protection Programme, amounting to 4.3 million Euro) to support job levels, and variable costs for personnel related to the creation of value (phantom stock option plan amounting to 2.1 million Euro), the effect was still positive compared to the previous year (+4%). It should also be remembered that, due to the pandemic, 2020 margins had been affected not only by the slowdown in business activity but also by some indirect costs, whose benefits were seen only in 2021. The increase for the Public Areas Interiors segment showcases the recovery in production activities and consequently in volumes, signs of a recovery in domestic markets after the pandemic.

The following table shows the breakdown of **total revenues by segment**:

Eur M/ % of total	***Marine Glazing***		***Marine Cooking Equipment***		***Marine Public Areas***		***Seascape***	
2021	83.6	*62.0%*	30.4	*22.5%*	20.9	*15.5%*	134.9	*100.0%*
2020	73.1	*55.0%*	36.9	*27.7%*	23.0	*17.3%*	133.0	*100.0%*
% change	*14.4%*		*-17.6%*		*-9.1%*		*1.4%*	

Eur M/ % of total	***Building Façades***		***Professional Cooking Equipment***		***Public Areas Interiors***		***Landscape***	
2021	84.0	*68.0%*	29.7	*24.0%*	9.9	*8.0%*	123.6	*100.0%*
2020	68.2	*75.5%*	20.3	*22.4%*	1.9	*2.1%*	90.4	*100.0%*
% change	*23.2%*		*46.3%*		*421.1%*		*36.7%*	

Statement of financial position

The following is the reclassified consolidated statement of financial position as at 31 December 2021 and 31 December 2020.

Reclassified consolidated statement of financial position

Amounts in €/000	**31.12.2021**	**31.12.2020 restated ***
Intangible assets	47,681	52,025
of which Goodwill	*27,417*	*26,959*
Tangible assets	14,135	16,056
Right-of-use assets	25,544	18,944
Investments in associates	213	194
Non-current financial assets	323	282
Other non-current assets and liabilities	(3,002)	(5,978)
Employee benefits	(4,256)	(4,381)
Net non-current assets	**80,638**	**77,142**
Trade receivables	75,860	65,520
Inventory and payments on account	13,756	12,631
Construction contracts and advance payments from customers	22,329	23,778
Liabilities for contract work in progress and customer advances	(35.224)	(34.438)
Trade payables	(53,427)	(43,940)
Provisions for risk and charges	(1,283)	(470)
Other current assets and liabilities	2,893	3,326
Net working capital	**24,904**	**26,407**
Net Invested capital	**105,542**	**103,549**
Group equity	47,268	38,326
Non-controlling interest in equity	10,066	6,880
Net financial position	48,208	58,343
Sources of funding	**105,542**	**103,549**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3.*

Net non-current assets amounted to 80.6 million Euro as at 31 December 2021 compared to 77.1 million Euro as at 31 December 2020, thus essentially unchanged. It is noted that the item Right-of-use assets reflects the adjustment of values for leases on properties, mainly subscribed by the parent company

Net working capital stood at 24.9 million Euro, down by 1.5 million Euro on 26.4 million Euro as at 31 December 2020. The breakdown shows an increase in trade receivables and payables, confirming the resumption of normal construction and production operations and the increase in volumes.

Group shareholders' equity amounted to 47.3 million Euro as at 31 December 2021 compared to 38.3 million Euro as at 31 December 2020, reflecting the performance during the period.

Net financial position amounted to 48.2 million Euro, down by 10.1 million Euro on the 58.3 million Euro as at 31 December 2020. 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	31/12/2021	31/12/2020 restated *
A.	Cash and cash equivalents	142	51
B.	Bank deposits	47,503	41,792
C.	**Total liquidity (A+B)**	**47,645**	**41,843**
D.	**Current financial assets**	**389**	**331**
E.	Current bank debt	(17,393)	(9,555)
F.	Current portion of long-term debt	(13,612)	(16,862)
G.	Other current financial liabilities	(2,062)	(763)
H.	**Current debt (E+F+G)**	**(33,067)**	**(27,180)**
I.	**Current net financial position (C+D+H)**	**14,967**	**14,994**
J.	Non-current bank debt	(34,936)	(42,329)
K.	Other non-current financial liabilities	(2,517)	(11,956)
L.	**Non-current financial position (J+K)**	**(37,453)**	**(54,285)**
M.	**Net financial position before IFRS 16 (I+L)**	**(22,486)**	**(39,291)**
N.	**IFRS 16 – *Lease - impact***	**(25,722)**	**(19,052)**
	Current portion	(3,917)	(3,800)
	Non-current portion	(21,805)	(15,252)
O.	**Net financial position (M+N IFRS 16 impact)**	**(48,208)**	**(58,343)**

Net financial position as defined by the new ESMA Guidelines dated 4 March 2021 (see Consob Notice no. 5/21 of 29 April 2021) is shown in the explanatory notes to the Consolidated Financial Statements.
** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3.*

Group **Net Financial Position** as at 31 December 2021, including the effect of IFRS 16, stood at 48.2 million Euro, compared to 58.3 million Euro as at 31 December 2020.

The decrease in consolidated net debt between 31 December 2020 and 31 December 2021 reflects the resumption of production and construction activity, which stabilised cashflows, and lower exposure to the banking system in terms of medium- to long-term loans. It is also noted that during the year the debt for the option to minority shareholders of Total Solution Interiors S.r.l. (4.8 million Euro) was cleared.

Group Net Financial Position, excluding the effects of the application of IFRS 16, stood at 22.5 million Euro as at 31 December 2021, compared to 39.3 million Euro as at 31 December 2020. Therefore, operating cash flow generated during the year, net of the increase in financial liabilities for leasing and reduction of the Total Solution Interiors S.r.l. option debt, amounted to 12 million Euro.

The reclassified consolidated statement of cash flows as at 31 December 2021 and 31 December 2020 is shown below.

Cash Flow statement

Amounts in €/000	**31/12/2021**	**31/12/2020 restated***
Cash flows from operating activities	16.819	16.372
Cash flows from investing activities	(2.469)	(10.592)
Free Cash Flow	**14.350**	**5.780**
Cash flows from financing activities	(10.190)	6,842
Effect of exchange rate changes on cash and cash equivalents	1,642	(207)
Net cash flow	**5,802**	**12,415**
Cash and cash equivalents at the beginning of the period	**41,843**	**29,428**
Cash and cash equivalents at the end of the period	**47,645**	**41,843**

** It is noted that, following the definitive* Purchase Price Allocation *for the acquisition of GICO S.p.A., the comparative amounts at 31 December 2020 have been recalculated, as per para. 49 of IFRS 3.*

Free cash flow amounted to 14.4 million Euro at 31 December 2021, in the absence of acquisitions during the period, reflecting the performance of production volumes.

Cash flow from operating activities offset cash flows from financing activities.

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 2020.

Reclassified consolidated income statement

Amounts in €/000	**2021**	%	**2020**	%	Δ%
Revenues from contracts with customers	74,686	97.9%	63,948	98.8%	16,8%
Other revenues and income	1,619	2.1%	755	1.2%	114,4%
Total Revenues	**76,305**	**100.0%**	**64,703**	**100.0%**	**17,9%**
Materials, services and other costs	(55,094)	-72.2%	(49,436)	-76.4%	11,4%
Personnel costs	(14,112)	-18.5%	(11,562)	-17.9%	22,1%
Operating costs	**(69,206)**	**-90.7%**	**(60,998)**	**-94.3%**	**13,5%**
EBITDA *	**7,099**	**9.3%**	**3,705**	**5.7%**	**91,6%**
Depreciation, amortisation and impairment	(2,984)	-3.9%	(2,280)	-3.5%	30,9%
EBIT	**4,115**	**5.4%**	**1,425**	**2.2%**	**188,8%**
Net financial income (expenses) **	(78)	-0.1%	(2,441)	-3.8%	-96,8%
Income from associates	3,727	4.9%	3,170	4.9%	17,6%
EBT	**7,764**	**10.2%**	**2,154**	3.3%	**260,4%**
Income taxes	(1,504)	-2.00%	(249)	-0.4%	504,0%
Tax-rate	*18.4%*		*11.6%*		
Net Profit	**6,260**	**8.2%**	**1,905**	**2.9%**	**228,6%**

** 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 5 million Euro, 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 0.9 million Euro in the year 2021 and 1.3 million Euro in the year 2020.*

Total **revenues** of 76.3 million Euro in 2021 were 17.9% up on 2020, providing confirmation of the full recovery of business activity after the interruption of production in the first half of 2020 caused by extraordinary measures to contain the pandemic.

EBITDA stood at 7.1 million Euro, with an EBITDA margin of 9.3%, rising by 3.6 percentage points on the previous year's figure.
The increase is attributable to the containment of costs for raw materials and services, up 11.4% on 2020.
Personnel expenses were up 22.1%, with an average growth in job numbers of 4.9% compared to 2020.

Depreciation, amortisation and impairment amounting to 3 million Euro was 30.9% up on the previous year, mainly due to new rental agreements for offices and warehouses for the company's headquarters and production site, but also to provisions for risks and charges of 0.8 million Euro.

EBIT amounted to 4.1 million Euro, up by 3.2 percentage points on the year 2020.

The item **Financial income and charges**, amounting to 0.1 million Euro in 2021 compared to negative 2.4 million Euro in 2020, benefited from proceeds linked to the Put & Call option exercised on 31 March 2021 for the remaining 40% of the share capital of subsidiary Primax (0.6 million Euro), and from the reduced write-downs from the impairment test on the value of equity investments (1.5 million Euro compared to 2.6 million in 2020) and foreign exchange gains of 0.9 million Euro (all of which unrealised).

Total **income from associates** improved thanks to an increase in dividends from Navaltech, Pizza Group, Squadra and Seatech, bringing EBT to 8.2 million Euro.
These dividends, in addition to the lower write-downs in the value of equity investments and the lower income on the Primax option, due to tax exemption, are one of the main reasons for the slight deterioration in the tax rate (19.4% from 11.6% of the previous year).

Net income for 2021, amounting to 6.3 million Euro, with a net profit margin of 8.2%, was up by 4.4 million Euro compared to the previous year.

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

Profitability ratios	**2021**	**2020**
Net ROE	17.5%	6.4%
ROI	5.0%	1.8%

Net ROE, calculated as net income for the year / net equity at the end of the period shows a good return on equity.
ROI, calculated as operating income (EBIT)/net invested capital was up thanks to a higher operating profit.

The **reclassified statement of financial position** as at 31 December 2021, compared with the statement of financial position as at 31 December 2020, is as follows:

Reclassified statement of financial position

Amounts in €/000	**31/12/2021**	**31/12/2020**
Intangible assets	46	66
Tangible assets	1,308	1,321
Right-of-use assets	10,919	5,821
Investments in associates	40,609	37,137
Non-current financial assets	17,746	17,480
Other non-current assets and liabilities	569	719
Employee benefits	(443)	(466)
Net fixed assets	**70,754**	**62,078**
Trade receivables	18.078	20.458
Inventory and payments on account	4,084	3,744
Contract work in progress and advances	15,422	14,101
Liabilities for contract work in progress and customer advances	(1,828)	(1,856)
Trade payables	(22,168)	(17,575)
Provisions for risks and charges	(1,035)	(330)
Other current assets and liabilities	(641)	705
Net working capital	**11,912**	**19,248**
Net capital employed	**82,666**	**81,326**
Shareholders' equity	(35,868)	(29,700)
Net financial position	(46,798)	(51,626)
Sources of financing	**(82,666)**	**(81,326)**

The significant increase in **net fixed assets** mainly reflects the rise in right-of-use assets for new property lease contracts and the choice of equity investments, primarily the early exercising of the Put & Call option on the remaining 40% of the share capital of subsidiary Primax and capitalisation of the subsidiary Total Solution Interiors S.r.l.

There was a 7.3 million Euro drop in **net working capital**, mainly due to an increase in trade payables.

The increase in **shareholders' equity** reflects the decision taken not to distribute dividends in 2021, in addition to the positive contribution made by the result for the year.

Net financial position is composed as follows:

	Amounts in €/000	**31/12/2021**	**31/12/2020**
A.	Cash	1	2
B.	Bank deposits	8,746	6,498
C.	**Total liquidity (A+B)**	**8,747**	**6,500**
D.	**Current financial assets**	**1,340**	**573**
E.	Current bank debt	(9,877)	(6,636)
F.	Current portion of long-term debt	(11,694)	(13,476)
G.	Other current financial liabilities	(1,565)	(636)
H.	**Current debt (E+F+G)**	**(23,136)**	**(20,748)**
I.	**Current net financial position (C+D+H)**	**(13,049)**	**(13,675)**
J.	Non-current bank debt	(23,071)	(30,543)
K.	Other non-current financial liabilities	(164)	(1,965)
L.	**Non-current financial position (J+K)**	**(23,235)**	**(32,508)**
M.	**Net financial position (I+L) before IFRS 16**	**(36,284)**	**(46,183)**
N.	**IFRS 16 – Lease – impact**	**(10,514)**	**(5,443)**
	Current portion	(1,573)	(1,533)
	Non-current portion	(8,941)	(3,910)
O.	**Net financial position (M+N IFRS 16 effect)**	**(46,798)**	**(51,626)**

The **net financial position** improved by 4.8 million Euro over 31 December 2020, showing a lower exposure to the banking system, with net financial debt falling from 46.2 million Euro in 2020 to 36.3 million Euro in 2021.

The change in cash and cash equivalents between 31 December 2020 and 31 December 2021 is shown in the following table:

Cash and cash equivalents at 31/12/2020	**6,500**
Cash flows from operating activities (A)	16,143
Cash flows from investing activities (B)	(4,661)
Cash flows from financing activities (C)	(9,235)
Increase (decrease) in cash and cash equivalents (A+B+C)	***2,247***
Cash and cash equivalents at 31/12/2021	**8,747**

Research & 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.
As tangible evidence of the commitment to the integration of sustainability considerations in the business model, our business activity is reported through a set of ESG-oriented (Environmental, Social & Governance) indicators on the performance of the Group on the sustainability front.
The R&D department is constantly committed to creating innovative solutions that can make a tangible contribution. It has developed a software ("Nube") that allows the integration of third-party systems. A single responsive portal for the whole Group, whose main goal is to manage automation on board vessels to optimise energy peaks, starting from the galley. The same system is applied to achieve perfection in any professional kitchen, in restaurants and in large-sized production facilities.

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.
Standardisation and centralisation projects were started up, notwithstanding the coronavirus pandemic, with the completion of feasibility studies and rollout of projects.
The Group has followed procedures for SASO (Saudi Arabian Standards Organization) certification, a symbol of the conformity of goods to the country's standards and safety regulations.

Somec has paid the utmost attention to measures to prevent and contain the COVID-19 contagion. It continues to collaborate with social partners and trade unions to jointly manage critical issues.
As part of actions to enhance human capital, the Group is working to protect the most vulnerable workers by giving an additional 30% paid leave in cases of serious diseases, establishing a Solidarity Hours Bank, facilitating women's work with a parental equality incentive and announcing a call for the assignment of two scholarships to worthy children of employees, aimed at promoting the "social elevator".
The policy of incentives linked to profitability, productivity and quality objectives has been reinforced, with a greater involvement of workers through the creation of "INDITEX", a bonus convertible in Welfare benefits, and the shared management of a multi-week schedule to deal with production highs and lows.

The Group has started collaborating with GYMHUB SRL, a university spin-off founded in 2016 within the Department of Medicine of Padua University, with the aim of offering personal wellbeing services and projects in the sphere of worker health and safety. The training project focuses on the study and practising of specific preventive and compensatory exercises for workers to reduce the risk of diseases or musculoskeletal disorders of the spine, shoulder and upper limbs.

Finally 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. 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 2021, the Group's headcount amounts to 801 employees including members of the project management, marketing and sales teams (around 12%), general office staff (roughly 14%), research and development, engineering (approximately 14%) and manufacturing (about 60%) personnel. The figure is substantially in line with the headcount as at 30 June 2021.

Ownership of the Company

As at 31 December 2021, 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 indirectly 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 0.33%, 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%.

It is also noted that, at the end of the financial year, parent company Somec S.p.A. held 17,804 treasury shares, 0.26% of the share capital, following the treasury share purchase programme launched on 12 October 2021 and concluded on 8 November 2021.

The remaining 24.41% is float, accounting for 1,684,149 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 2021 and income and expenses from related party transactions in the year 2021, please see the relevant section of the notes to the financial statements.

Treasury shares

As of 31 December 2021 Somec S.p.A. held 17,804 treasury shares, 0.26% of the share capital.

As from 12 October 2021, Somec S.p.A. initiated a programme to purchase treasury shares based on the resolution approved by the Shareholders' Meeting of 29 April 2021. This programme is designed to enable Somec S.p.A. to: (i) have treasury shares that can be allocated to service the long-term variable incentive plan, reserved for some of the Group's strategic resources, this too approved by the Shareholders' Meeting of 29 April 2021; (ii) have a "stock reserve" to service any extraordinary transactions and/or possible use of shares as consideration in extraordinary transactions with other parties, as part of transactions of interest to the parent company.
The treasury share purchase programme ended on 8 November 2021. Under this programme, in the period from 12 October to 8 November 2021, a total of 17,804 treasury shares, 0.26% of the share capital, were sold, for a total value of 599 thousand Euro at the weighted average price of 33.6478 Euro.

Performance of Somec shares listed on the Borsa Italiana S.p.A. electronic stock exchange (Euronext Milan Market - EXM)

On 30 December 2021, the official closing price of Somec shares was 37.70 Euro (+111.2% compared to the closing value of 17.85 Euro as at 30 December 2020). The market capitalisation as at 30 December 2021 was 260,130 thousand Euro (compared to 123,165 thousand Euro as at 30 December 2020).

Atypical and/or unusual transactions

During the year, the Group did not carry out any atypical and/or unusual transactions.

Disclosure of risks

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, above all through internal audit and risk management system based on a risk-based approach, 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 risks
The Group operates internationally in several countries affected, to varying degrees, by the current COVID-19 emergency. While the Group's business model, based on a strategy of proximity to the customer, and adopting a short and controlled production chain, is not particularly exposed to this emergency, as demonstrated from the start of the phenomenon, and while there is broad consensus about a marked improvement in the global health situation, with a gradual return to normality in the medium term, the persistence or possible deterioration of the situation cannot be ruled out, and this may have an impact on the normal management of operations, with particular reference to the supply and customer chains.
To mitigate this risk, the Group immediately took decisive steps, such as the establishment of an in-house task force, the adoption of strict measures and protocols to safeguard the health of employees and policies in support of suppliers and customers in order to preserve business relations.

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. With regard to the absence of customer concentration, it is noted that in the Seascape division no operator accounts for more than 24% of turnover, which greatly 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.
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 segment of the Landscape division, for instance, is less exposed to these risks due to i) the product sector, whose demand, driven by the massive investment plan focusing on environmental sustainability and climate change requirements, has so far been little affected by the pandemic, and is characterised by shorter, more frequent projects, and ii) extreme customer fragmentation.

Risks relating to the worldwide geopolitical situation
The global geopolitical situation is going through a moment of extreme tension and complexity, due especially to the Russia-Ukraine conflict. This dramatic event, coming on top of an already critical situation caused by the pandemic, has exacerbated inflationary phenomena and speculation, particularly with regard to energy and raw material prices, and caused interruptions to supplies. Although the Group has no direct or indirect business interests in the areas affected by the conflict, and its business model is neither energy-intensive nor particularly exposed to

inflationary phenomena regarding raw materials or the higher costs of international transactions, the continuation of this situation might lead to difficulties in the normal management of operations or to pressures on margins.
The impact of these risks is however mitigated by the characteristics of the Group's production process and by the degree of visibility allowed by the backlog. This has made it possible to plan strategies and procurement activities well in advance.

Cyber Security risks
The Group is exposed to such risks due to the growing use of IT systems and the spread of digitisation processes. Relative consequences might lead to a loss of data, interruptions to activities or privacy violations.
While it is not particularly exposed to this risk, the Group is still engaged in constant activity to strengthen its security systems and procedures, training staff and protecting IT infrastructures with ad hoc measures.

Risks related to climate change
The Group is committed to ensuring the transition to a low-polluting economy. There may however still be transition-related and physical risks, having a possible impact on business processes, in particular production processes.
Group assets might also be affected by natural events (floods, droughts, fires and so on) generated by the effects of climate change.
The Group's industrial strategy is oriented towards continuously raising the efficiency of production systems and processes to reduce energy consumption and air emissions. Its market positioning makes it a partner of excellence for leading US players in the sphere of research, development and implementation of innovative solutions that have a low environmental impact and actively combat climate change.
The Group implements actions to combat acute and chronic physical risks, and has taken out specific insurance coverage to guard against possible consequences deriving from disastrous climatic and natural events.
In order to mitigate these risks, the Group is also committed to integrating sustainability issues in its business plan and incentive tools, monitoring relevant elements through "what-if" analyses.

Financial risks

The Group is not significantly exposed to financial risks.
The main risk, following the significant growth in the business of the US 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, is very limited. The Group is not exposed to significant credit risks as its 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 transactions have been implemented. The main types of financial risk are set out below, with the relative comments on the degree of significance of the exposure to the different risk categories.

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

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

Credit risks
A credit risk is the probable financial loss generated by the failure of 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 a US 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, and are written down in the event of any 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. Prudential management of the liquidity risk is pursued by monitoring the Group’s cash flows, financing needs and liquidity, with the aim of guaranteeing sound management of financial assets through the correct management of any excess liquidity or assets that may be liquidated and the use of appropriate credit lines.

Key uncertainties

As this document is being drafted, the conflict between Russia and Ukraine and the continuing global pandemic emergency is producing a scenario characterised by extreme volatility and unpredictability. The success of the vaccination plan and of the extraordinary measures taken show clear evidence of the situation becoming normalised in the medium term, but still leave some short-term uncertainties. The geopolitical situation, on the other hand, represents a clear threat to the recovery of the global economy.
It is not possible at this moment to predict consequences in terms of inflation and continuity of supplies. While our operations are not directly impacted by particularly critical issues in the short term, the situation still leads us to express due caution about returning to a condition of “normality”.
In particular, the parts of the business not supported by a long-term backlog, such as the naval business or Building Façades, might be more exposed in the short term to the aforementioned uncertainties and volatility.

Business Outlook

The essentially asset light business model based on a backlog allowing broader visibility and planning has, once again, shown itself to be very resilient even in these difficult times of general uncertainty caused by geopolitical tensions and the pandemic. Notwithstanding this general climate, all Group divisions offer reasons for hope and optimism about the near future. The confirmation of all orders in the backlog, a longer backlog, the acquisition strategy and evolution of the organisational model, with the replacement of the two landscape and seascape divisions with three business units – engineered systems for naval architectures and building façades, professional kitchen systems and products, design and creation of bespoke interiors - all point to a new vocation for the Group and fresh momentum for its growth.

Backlog orders remain extremely solid and long-term, thanks in particular to the quality of its clients, which are highly capitalised or strategically positioned in particularly virtuous markets and sectors, due to major investments made in the areas of sustainability and actions to combat climate change. This is also reflected in the virtuous cycle of income and continuous order growth.

We are being very well rewarded for the decision taken to diversify our activities in the United States, in building and geographic terms, benefiting from an unprecedented flow of structural investments linked to sustainability. The decision to replicate this winning model in Europe with the acquisition of Bluesteel has immediately been rewarded with a first important order that confirms the validity of the strategy adopted.
The diversification strategy will continue in coming months, with the development of the division dedicated to high-end interior design and creation, through the newly formed company Mestieri S.r.l., 100% controlled by Somec.

Once again, the asset light nature of the Group’s business model, its production flexibility, the critical success factor expressed by its engineering and project management expertise, in-house management of all production phases, investments made and strengthening of the governance set-up have all given the Group a competitive edge in a growth-rich context.

Somec S.p.A.

Consolidated financial statements as at 31 December 2021

The following Consolidated financial statements constitute a non official version which is not compliant with the provision of the Commission Delegated Regulation (EU 2019/815). For the official version please refer to the original Italian text version.

Financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in €/000	Note	31/12/2021	31/12/2020 restated *
ASSETS			
Non-current assets			
Property, plant and equipment	1	14,135	16,056
Intangible assets	2	47,681	52,025
Right-of-use assets	4	25,544	18,944
Investments in associates	5	213	194
Non-current financial assets	6	323	282
Other non-current assets		-	51
Deferred tax assets	7	3,788	2,289
Total non-current assets		**91,684**	**89,841**
Current assets			
Inventory and contract assets	8	36,085	36,409
Trade receivables	9	75,860	65,520
Other receivables	10	10,224	8,967
Tax receivables	11	4,272	2,820
Other current financial assets	12	389	331
Cash and cash equivalents	13	47,645	41,843
Total current assets		**174,475**	**155,890**
TOTAL ASSETS		**266,159**	**245,731**

LIABILITIES AND SHAREHOLDERS' EQUITY			
Group net equity			
Share capital	14	6,900	6,900
Share premium reserve	14	18,173	18,173
Legal reserve	14	1,380	1,380
Other reserves and retained earnings	14	20,815	11,873
Total Group net equity		**47,268**	**38,326**
Non-controlling interests	14	10,066	6,880
Total net equity		**57,334**	**45,206**
Non-current liabilities			
Loans and financing	15	34,936	42,329
Other non-current financial liabilities	16	24,322	27,208
Other non-current liabilities		-	69
Provisions for liabilities and charges	17	1,283	470
Net defined-benefit obligations	18	4,256	4,381
Deferred tax liabilities	7	6,790	8,249
Total non-current liabilities		**71,587**	**82,706**
Current liabilities			
Trade payables	19	53,427	43,940
Other current liabilities	20	9,653	7,769
Contract work in progress and customer advances	21	35,224	34,438
Loans and financing	15	31,005	26,417
Other current financial liabilities	16	5,979	4,563
Income tax liabilities	22	1,950	692
Total current liabilities		**137,238**	**117,819**
Total liabilities		**208,825**	**200,525**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**266,159**	**245,731**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in €/000	**Note**	**2021**	**2020 restated***
Revenues from contracts with customers	23	250,550	222,068
Other revenues and income	24	7,930	1,356
Revenues		**258,480**	**223,424**
Raw materials and consumables		(106,062)	(99,507)
Employee benefit expenses	25	(46,597)	(40,420)
Depreciation, amortisation and other write-downs	26	(15,920)	(20,967)
Other operating costs	27	(82,779)	(64,807)
Operating profit (EBIT)		**7,122**	**(2,277)**
Financial expenses	28	(1,608)	(1,999)
Financial income	28	5,486	4,951
Other income (and expenses)	29	203	660
Income from associates	30	82	112
Profit/(loss) before tax (EBT)		**11,285**	**1,447**
Income taxes	31	(507)	(26)
Profit/(loss) for the period		**10,778**	**1,421**
Non-controlling interests	14	2,332	(1,193)
Group net income	14	**8,446**	**2,614**
Earnings per share (in Euro)	32	1,23	0,38
Diluted earnings per share (in Euro)	32	1,23	0,38
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	2,006	(291)
Net gains/(losses) on cash flow hedges	14	271	(175)
Total other comprehensive income/(losses) that may be subsequently reclassified within profit/(loss), net of tax:	**14**	**2,277**	**(466)**
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	(39)	(50)
Total other consolidated comprehensive income that will not be reclassified to net income/(losses), net of tax:	14	**(39)**	**(50)**
Total other comprehensive income/(losses), net of tax:	14	**2,238**	**(516)**
Total income/(loss) net of tax		**13,016**	**905**
Attributable to:			
Equity holders of the parent		**9,436**	**2,367**
Non-controlling interests		**3,580**	**(1,462)**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in €/000	Note	31/12/2021	31/12/2020 restated*
Net income for the period		10,778	1,421
Reconciliation of net income to operating cash flow:			
Income taxes	31	507	26
Depreciation and amortisation, excl. impairment write-downs	26	14,287	15,204
Government grant	24	(3,068)	-
Write-downs for impairment		-	4,728
Change in defined benefit obligations	14-18	(163)	767
Change in Put and Call option liabilities	28	(5,168)	(4,779)
Other gains on acquisitions	29	-	(1,457)
Finance costs	28	1,599	2,000
Finance income	28	(309)	(172)
Net exchange rate changes		(211)	797
Change in fair value of financial derivatives		-	111
Income (loss) for the period from associates	5-30	(82)	(112)
(Capital gains)/Capital losses on sale of assets		12	(1)
Net change in provisions for risks and charges	17	813	(181)
Costs for share-based payments	14-25	297	-
Change in operating assets and liabilities:			
Decrease/(Increase) in inventory and contract assets	8	(128)	4,417
Increase/(Decrease) in contract work in progress and customer advances	21	1,238	12,204
Decrease/(Increase) in trade receivables	9	(10,340)	(3,982)
Decrease/(Increase) in other receivables	10	(1,257)	(1,131)
Increase/(Decrease) in trade payables	19	9,487	(6,523)
Decrease/(Increase) in other current assets and liabilities		5,000	(1,374)
Income tax payments		(4,133)	(3,396)
Interest received/(paid)		(2,340)	(2,195)
Cash flows from operating activities (A)		**16,819**	**16,372**
Investing activities:			
Investments in property, plant and equipment		(1,157)	(1,075)
Investments in intangible assets		(1,323)	(1,368)
Investments in subsidiaries and associates	5	63	-
Change in current and non-current financial assets	6-12	(99)	59
Realisable price of property, plant and equipment		47	-
Settlement of price adjustment on business combination		-	(1,268)
Acquisition of subsidiaries net of cash acquired		-	(6,940)
Cash flows from investing activities (B)		**(2,469)**	**(10,592)**
Financing activity:			
Loans and financing granted	15	11,900	26,599
(Repayments)	15	(19,875)	(12,353)
Lease liability payments	4-16	(4,539)	(4,000)
Increase/(Decrease) in short term bank loans	15	5,945	1,709
Settlement of payment for equity investments		(2,563)	(781)
Treasury share purchase reserve	14	(599)	-
Dividends paid to parent company shareholders		-	(3,450)
Dividends paid to minority shareholders	14	(374)	(882)
Acquistion of minority shareholdings	14	(85)	-
Cash flows from financing activities (C)		**(10,190)**	**6,842**
Increase (decrease) in cash and cash equivalents (A+B+C)		**4,160**	**12,622**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**13**	**41,843**	**29,428**
Net effect of exchange differences		1,642	(207)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**13**	**47,645**	**41,843**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2020

Amounts in €/000	**Note**	**Share Capital**	**Share premium reserve**	**Legal reserve**	**Other reserves and retained earnings (loss)**	**Net income for the period**	**Group net equity**	**Minority interest capital and reserves**	**Minority net income (loss)**	**Minority interest**	**Total net equity**
01/01/2020		**6,900**	**18,173**	**1,380**	**5,064**	**7,892**	**39,409**	**7,665**	**1,528**	**9,194**	**48,603**
2019 profit allocation											-
- other reserves					7,892	(7,892)	-	1,528	(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						2,614	2,614		(1,193)	(1,193)	1,421
31/12/2020 restated *		**6,900**	**18,173**	**1,380**	**9,259**	**2,614**	**38,326**	**8,073**	**(1,193)**	**6,880**	**45,206**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., amounts as at 1 January 2021 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.*

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

Amounts in €/000	**Note**	**Share Capital**	**Share premium reserve**	**Legal reserve**	**Other reserves and 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**
01/01/2021 restated *		**6,900**	**18,173**	**1,380**	**9,259**	**2,614**	**38,326**	**8,073**	**(1,193)**	**6,880**	**45,206**
2020 profit allocation											
- other reserves					2,614	(2,614)	-	(1,193)	1,193	-	-
- dividends					-		-	(374)		(374)	(374)
Treasury share purchase reserve	14				(599)		(599)			-	(599)
Reserve for share-based payments	14				297		297			-	297
Acquisition of minority interests					-		-	(99)		(99)	(99)
Change in scope of consolidation					(184)		(184)	78		78	(106)
Other movements					(8)		(8)	1		1	(7)
Other comprehensive income (OCI)	14										
- Defined benefit plans					(34)		(34)	(5)		(5)	(39)
- Change in currency translation reserve					753		753	1,253		1,253	2,006
- Change in CFH reserve					271		271				271
Net income for the period						8,446	8,446		2,332	2,332	10,778
31/12/2021		**6,900**	**18,173**	**1,380**	**12,369**	**8,446**	**47,268**	**7,734**	**2,332**	**10,066**	**57,334**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., amounts as at 1 January 2021 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

GENERAL INFORMATION

Publication of the Consolidated Financial Report of Somec S.p.A. and its subsidiaries ("Somec Group") for the period ended 31 December 2021 has been authorised by the Board of Directors, which approved the financial statements on 23 March 2022.

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

Somec S.p.A. (hereinafter, "Somec" or the "Parent Company") is a public limited company that is incorporated and domiciled in Italy in Via Palù 30, San Vendemiano (TV) 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.

The company was listed on the Borsa Italiana S.p.A. electronic stock exchange (Euronext Milan Market - EXM) on 4 August 2020.

BASIS OF PREPARATION

The consolidated financial statements as at 31 December 2021 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. Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.

For the purpose of comparison, the consolidated financial statements also include the statement of financial position as at 31 December 2020 and consolidated income statement figures for 2020.

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 and its main subsidiaries.

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 2021 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 2021, 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)	Euro	120,000
Hysea S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
Inoxtrend S.r.l.	Santa Lucia di Piave (TV)	100%	Euro	622,222
Navaltech LLC	Miami (USA)	100%	USD	1,000
Oxin S.r.l.	Codognè (TV)	100%	Euro	100,000
Pizza Group S.r.l.	San Vito al Tagliamento (PN)	100%	Euro	12,000
Primax S.r.l.	San Vito al Tagliamento (PN)	100%	Euro	1,030,000
Skillmax S.r.l.	San Biagio di Callalta (TV)	60% (2)	Euro	500,000
Somec Sintesi S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
Somec Shanghai Co., Ltd	Shanghai (Cina)	100%	CNY	984,922
Sotrade S.r.o.	Piestany (Slovacchia)	100%	Euro	92,380
Total Solution Interiors S.r.l.	Cantù (CO)	60% (2)	Euro	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	10,000,000
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	35.63% (3)	Euro	100,000
Skillbuild S.r.l.	San Biagio di Callalta (TV)	60% (2)	Euro	20,000
Total Solution Interiors LLC	Miami (USA)	60% (2)	USD	293,034

(1) The GICO S.p.A. acquisition includes “Put and Call” options on the minority stake, exercised on 15 February 2022. Minority interests are not recognised in the consolidated income statement in light of the “Put and Call” options in place.

(2) 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.

(3) 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC. 35.63% is the related indirectly owned stake held by Somec S.p.A. as at 31.12.2021.

During the first half of 2021, the Parent Company acquired the remaining 10% of the share capital of the subsidiaries Hysea S.r.l. and Inoxtrend S.r.l. from minority shareholders. According to this agreement, Somec S.p.A. now owns 100% of the shares of the two subsidiaries.
Moreover, on 31 March 2021, Somec exercised its call option early on the 40% stake in Primax S.r.l. previously held by a minority shareholder, via the company Art.Serf. S.p.A.. Consequently, the Parent Company holds 100% of Primax S.r.l. share capital as at 31 December 2021. What’s more, following completion of a voluntary liquidation procedure, the Group’s UK subsidiary, Seatech UK Ltd. ceased operations.
It is worth noting that in January 2021 the subsidiary Skillmax established Skillbuild S.r.l. with the aim of serving the market of private residential property renovation in order to offer integrated management of energy-efficient redevelopment projects.
In November 2021 the subsidiary Oxin S.r.l. sold its stake in the company Oxtrade Contract S.r.l., which is therefore no longer within the Group’s perimeter. Finally, in December 2021, Somec Sintesi S.r.l. was established, a wholly owned subsidiary of Somec S.p.A., operating in the area of European naval *refitting*.

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 foreign subsidiaries have been converted into 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, Somec Shanghai Co., Ltd and Total Solution Interiors LLC are as follows:

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

Currency	2021	2020
US Dollar	1.1827	1.1422
Canadian Dollar	1.4826	1.5300
Chinese Renminbi	7.6282	7.8747

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

Currency	31/12/2021	31/12/2020
US Dollar	1.1326	1.2271
Canadian Dollar	1.4393	1.5633
Chinese Renminbi	7.1947	8.0225

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;
- net 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 concessions, licences, trademarks and similar rights, non-patented technology, order backlog and customer relationships acquired in business combinations (please refer to the relevant paragraph for more details).

Concessions, licences, trademarks and similar rights and customer relationships are amortised over the expected useful life of such relationships (respectively 5 years and 5-10 years). The order backlog 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
Concessions, licences, trademarks and similar rights	5 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: include 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: include 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: include 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 – Fair Value Through Other Comprehensive Income);
- 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 Through Profit and Loss).

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 2021 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.

Share-based payments

The Group offers additional benefits to some Group executives through stock option plans in the form of share-based payments. These plans are accounted for in accordance with IFRS 2 – Share-Based Payments.
According to the provisions of IFRS 2, these plans are a pay component of the beneficiaries. Therefore, the cost is represented by the fair value of these instruments on the date they are assigned, and is recognised in the income statement among “Costs for employee benefits” in the period between the date of assignment and that of accrual (so-called vesting period), with an equal amount being recognised in a shareholders’ equity reserve called “Share-based payments reserve”. Changes to the fair value occurring after the assignment date shall have no effect on the initial valuation. At the end of each year, the estimate of the number of options accrued up to maturity is updated. The change in the estimate is recorded as an adjustment to the item “Share-based payment reserve”, and an equal amount is recorded in “Employee benefit costs”.

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; (iii) 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:

- the costs relate directly to a contract or a specific identified contract;
- the costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
- 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:

- the Group's right to receive payment is established;
- it is probable that the economic benefits associated with the dividend will flow to the Company;

- 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.

Treasury shares
Treasury shares that are repurchased are deducted from shareholders’ equity on the basis of the relative purchase cost. The purchase, sale, issue or cancellation of equity instruments does not produce the recognition of any profit or loss in the income statement. Voting rights related to treasury shares and the right to receive dividends are cancelled. The difference between the purchase value and the sale price, in the event of reissue, is recognised in the share premium reserve.

NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group has applied for the first time some standards or amendments that have been in force since 1 January 2021. The Group has not adopted in advance any new standard, interpretation or amendment that has been issued but is not yet in force.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
Changes include the temporary easing of requirements with regard to balance sheet effects, when the interest rate offered on the interbank market (IBOR) is replaced by an alternative, substantially risk-free rate (RFR).
The changes include the following practical measures:

- a practical expedient for considering and treating contractual changes, or changes in cash flows that are directly required by the reform, such as changes in a variable interest rate, equivalent to an interest rate movement in the market;
- allowing changes required by the IBOR reform to be made to documentation for designating the hedging relationship without this relationship having to be discontinued/interrupted;
- providing temporary relief to entities when having to comply with separate identification requirements when an RFR is designated for hedging a risk component.

These changes have no impact on the Group's consolidated financial statements. The Group intends to use these practical measures in future reporting periods when they become applicable.

Amendment to IFRS 16 Covid-19-Related Rent Concessions after 30 June 2021
On 28 May 2020 the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the reporting of contractual amendments for reductions in rental/lease fees granted by lessors as a direct consequence of the Covid-19 epidemic. This change introduces a practical measure by which a lessee may choose not to assess whether the reductions in rental/lease fees constitute contractual changes. A lessee who chooses to use this expedient shall report these reductions as if they were not contractual changes within the scope of IFRS 16.
The changes were to be applicable until 30 June 2021, but as the impact of the Covid-19 pandemic continues, on 31 March 2021 the IASB extended the application period to 30 June 2022.
The changes apply to reporting periods beginning on or after 1 April 2021. The Group has not received relief on rental payments related to Covid-19, but intends to apply the practical expedient should there be occurences in the permitted application period.

PRINCIPLES ISSUED BUT NOT YET IN FORCE

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

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

The changes will be effective for reporting periods beginning on or after 1 January 2023, and will have to be applied retrospectively. The Group is currently assessing the impact that these changes will have on the current situation, and whether existing financing agreements need to be renegotiated.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020 the IASB published amendments to IFRS 3: Business Combinations - Reference to the Conceptual Framework. The changes set out to replace references to the Framework for the

Preparation and Presentation of Financial Statements, published in 1989, with references to the Conceptual Framework for Financial Reporting published in March 2018, without significant changes to the requirements of the principle.
The Board also added an exception to the IFRS 3 valuation standards to avoid the risk of potential "next day" losses or gains arising from liabilities and potential liabilities that might fall within the scope of IAS 37 or IFRIC 21: Levies, if contracted separately.
At the same time, the Board decided to clarify that the guidance in IFRS 3 for the acquisition of assets will not be impacted by the updating of references to the Framework for the Preparation and Presentation of Financial Statements.
The changes will be effective for reporting periods beginning on 1 January 2022, and shall apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
In May 2020 the IASB published Property, Plant and Equipment-Proceeds before Intended Use, according to which entities must refrain from deducting from the cost of an item of property, plant and machinery any proceeds gained from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner it was designed for by management. Instead, an entity shall recognise the proceeds from selling such items, and the cost of producing those items, in the income statement.
The change will be effective for reporting periods commencing on or after 1 January 2022, and must be applied retrospectively to items of property, plant and equipment made available for use on or after the start date of the period prior to that in which the entity first applies such changes.
No material impact is expected for the Group with regard to these changes.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
In May 2020 the IASB published amendments to IAS 37 to specify which costs must be considered by an entity when assessing whether a contract is onerous or loss-making.
The change entails the application of what is called a "Directly related cost approach". Costs that relate directly to a contract for the provision of goods or services include both incremental costs and costs directly attributed to contractual activities. 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 changes will be effective for reporting periods beginning on or after 1 January 2022. The Group will apply these changes to contracts for which it has not yet fulfilled all its obligations at the beginning of the year in which it will apply these changes for the first time.

Definition of accounting estimate – Amendments to IAS 8
In February 2021 the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The changes clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement and input techniques to develop accounting estimates.
The changes are effective for reporting periods beginning on or after 1 January 2023, and apply to changes in accounting policies and accounting estimates occurring from the beginning of that period or thereafter. Early application is allowed providing such a fact is disclosed.
The changes are not expected to have a significant impact on the Group.

Disclosure on accounting standards – Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021 the IASB issued changes to IAS 1 and to IFRS Practice Statement 2 Making Materiality Judgements, providing guidelines and examples to help entities apply materiality judgements to accounting policy disclosure. The changes aim to help entities provide more useful accounting policy information by replacing the requirement for entities to provide their "significant" accounting policies with that of providing disclosure on their "material" accounting policies; guidelines are also added on how entities apply the concept of materiality in making decisions regarding accounting policy disclosure.
Amendments to IAS 1 are applicable from reporting periods beginning on or after 1 January 2023; early application is allowed. Since the amendments to PS 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosure, there is no date when such amendments come into force.

The Group is currently evaluating the impact these changes will have on the Group's accounting policy disclosure.

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 cost of completing projects and, consequently, to estimate the value of the contract assets or liabilities for contract work in progress at the reporting date.

Government grants

Government grants obtained for investments in tangible or intangible assets are recognised in the income statement over the period in which the entity recognises as expenses the related costs and are treated as deferred income. In more detail, Government grants are recognised only when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received.
In regard to the US Payroll Protection Program, a scheme to assist US businesses to meet operating expenses and maintain employment levels during the Covid-19 pandemic, the Group has opted for recognition in the Income Statement of the portion of the loan received for which so-called forgiveness has taken place, namely its conversion into a non-secured grant.
R&D tax credits are accounted for in the income statement in the item Other revenues and income in accordance with IAS 20 when the analysis and documentation needed for recognition are complete.

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 Deferred tax assets and liabilities.

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 estimates 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. Please see note 4 Right-of-use-assets for more details.

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, know-how and trademarks), 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. Please see note 18 Net defined-benefit obligations for more details.

Share-based payments - Medium-/long-term incentive plan

The fair value of the shares that can be assigned through the incentive plan and the measurement of rights accrued are subject to estimates linked to expectations of the Group's results and achievement of the targets that potential beneficiaries are set.

The Group estimates the likelihood of achieving these results based on forecasts contained in the Multiannual plan adopted by the Board of Directors.

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BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY SHAREHOLDINGS

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. It is noted that on 15 February 2022 the option was exercised early at a price of 400 thousand Euro, equal to the floor established in the preliminary purchase agreement.
The consideration consists of an initial payment of 400 thousand Euro, the payment of the deferred instalment of 200 thousand Euro, the reserved capital increase of 1,200 thousand Euro and the present value of the fair value of the Put and Call option on the residual minority interests, amounting to 386 thousand Euro.

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**

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

Amounts in €/000	**Acquisition-date fair value**	**Adjustment for purchase price allocation**	**Fair value at acquisition**
Non-current assets	**1,300**	**760**	**2,060**
Property, plant and equipment	1,207	-	1,207
Intangible assets	93	594	687
Deferred tax assets	-	166	166
Current assets	**2,561**	**-**	**2,561**
Inventory and contract assets	1,284	-	1,284
Trade receivables	747	-	747
Other receivables	65	-	65
Tax receivables	9	-	9
Cash and cash equivalents	456	-	456
Total assets	**3,861**	**760**	**4,621**
Non-current liabilities	**(1,583)**	**(163)**	**(1,746)**
Loans and financing	(992)	-	(992)
Other non-current financial liabilities	(65)	3	(62)
Provisions for liabilities and charges	(189)	-	(189)
Net defined benefit obligations	(335)	-	(335)
Deferred tax liabilities	(2)	(166)	(168)
Current liabilities	**(1,556)**	**-**	**(1,556)**
Trade payables	(581)	-	(581)
Other current liabilities	(495)	-	(495)
Loans and financing	(257)	-	(257)
Other current financial liabilities	(155)	-	(155)
Income tax liabilities	(68)	-	(68)
Total liabilities	**(3,139)**	**(163)**	**(3,302)**
Total net assets at fair value	**722**	**597**	**1,319**
Goodwill on business combination	**1,464**	**-**	**867**
Consideration paid	**2,186**	**-**	**2,186**

The company’s net assets measured at fair value on the acquisition date amount to a total of 1,319 thousand Euro. At the time of the business combination, during the purchase price allocation phase, the Group identified an off-balance sheet intangible asset with a finite useful life, i.e. the brand, understood as the attractiveness of the acquired company in its business sector, amounting to 594 thousand Euro, before tax (166 thousand Euro), to which the Directors assigned 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 867 thousand Euro, which the Directors determined was recoverable in consideration of the estimated cash flows expected from the investment.
Please see note 2 Intangible assets for more details on the assets with a finite and indefinite useful life recognised at the acquisition date.
Between the acquisition date and 31 December 2020, GICO’s revenues amounted to 1,355 thousand Euro, while revenues amounted to 2,333 thousand Euro in the first half of 2021 and as at 31 December 2021 amouted at 5,446 thousand Euro. Gross receivables at the acquisition date amounted to 1,025 thousand Euro.
Had the acquisition of GICO taken place at the beginning of the year 2020, 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.
The purchase price allocation for the business combination is final.
It is noted that as a result of the definitive allocation, the amounts have been correctly adjusted in the balance sheet and income statement for the previous year. The overall effect of the adjustments made to the income statement at 31 December 2020 was 59 thousand Euro.

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, as 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.

Segment net income is identified by net profit before taxes and other financial gains and losses and represents one of the main indicators used by the Chief Operating Decision Maker (CODM) as defined by IFRS 8 - Operating Segments.

During the year 2021, no changes were made to the structure of operating segments as reported in the Consolidated Financial Statements as at 31 December 2020.

The following tables show the revenues and net income of the Group's operating segments for the periods ended 31 December 2021 and 31 December 2020.

Results by operating segment as at 31 December 2021

Amounts in €/000	Seascape	Landscape	Segments total	Adjustments and eliminations	Consolidated
Revenues from contracts with customers	133,655	117,793	251,448	(898)	250,550
Other revenues and income	1,816	6,727	8,543	(613)	7,930
Intra-segment revenues	6,472	12,379	18,851	(18,851)	-
Revenues	**141,943**	**136,899**	**278,842**	**(20,362)**	**258,480**
Raw materials and consumables	(49,461)	(57,186)	(106,647)	585	(106,062)
Employee benefit expense	(23,720)	(22,878)	(46,598)	1	(46,597)
Depreciation, amortisation and other write-downs	(6,604)	(9,316)	(15,920)	-	(15,920)
Other operating costs	(52,757)	(30,949)	(83,706)	927	(82,779)
Income from associates	82	-	82	-	82
Adjustments and eliminations	(6,472)	(12,379)	(18,851)	-	-
Segment net income	**3,011**	**4,190**	**7,201**	**4,084**	**11,285**

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)	(10,516)	(20,967)	-	(20,967)
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**	**(5,015)**	**(2,176)**	**3,623**	**1,447**

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 have been restated, as required by paragraph 49 of IFRS 3. For more details, please see the section on "Business combinations and acquisition of minority interests" in the explanatory notes.*

It is noted that financial income and expenses, other income and gains and losses arising from the fair value measurements of some financial assets and liabilities are not allocated to an individual sector, since the underlying instruments are managed at Group level. These items are included in adjustments and eliminations for the purpose of segment reporting.

Reconciliation of income

	2021	2020
Segment net income	**7,201**	**(2,117)**
Financial expenses	(1,608)	(1,999)
Financial income	5,486	4,951
Other revenues	203	660
Net effect of eliminations between segments	3	11
Profit before tax	**11,285**	**1,447**

Assets and liabilities by operating segment as at 31 December 2021 and 31 December 2020

The following table shows the Group's assets and liabilities by operating segment as at 31 December 2021 and 31 December 2020:

	Seascape	Landscape	Segments total	Adjustments and eliminations	Consolidated
Segment assets					
as at 31/12/2021	139,387	119,164	**258,551**	8,060	**266,611**
as at 31/12/2020	132,129	108,658	**240,787**	4,944	**245,731**
Segment liabilities					
as at 31/12/2021	(130,382)	(70,153)	**(200,535)**	(8,742)	**(209,277)**
as at 31/12/2020	(123,856)	(67,876)	**(191,732)**	(8,793)	**(200,525)**

The following table shows revenues by geographical area as at 31 December 2021 and 31 December 2020:

Revenues	**2021**	**2020**
Italy	75,361	47,630
EU	60,155	64,470
Non-EU	122,964	111,324
Total	**258,480**	**223,424**

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:

	2021	**%**	**2020**	**%**
Total Revenues	**258,480**	**100.0%**	**223,424**	**100.0%**
Client 1	*66,568*	*25.8%*	*34,866*	*15.6%*
Client 2	*27,582*	*10.7%*	*32,399*	*14.6%*
Client 3	-	-	*26,494*	*11.9%*

FINANCIAL HIGHLIGHTS *

** Following the Purchase Price Allocation for the acquisition of GICO S.p.A., the corresponding amounts as at 31 December 2020 presented in the explanatory notes have been restated, as required by paragraph 49 of IFRS 3.*

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 period, 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	Assets under construction and advances	Total
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 01/01/2020	**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)
Amortisation	(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**
Changes in 2021							
Change in scope of consolidation	-	-	79	1	-	-	80
Investments	4	345	231	333	74	90	1.077
Net disposals	-	(21)	(11)	(28)	-	-	(60)
Other changes / reclassifications	(33)	109	1	(7)	1	(253)	(182)
Amortisation	(173)	(1,456)	(447)	(465)	(797)	-	(3,338)
Exchange differences	10	250	-	35	185	21	501
Closing Net Book Value	**3,746**	**5,754**	**832**	**1,264**	**2,279**	**260**	**14,135**
Historical cost	4,906	14,756	4,751	4,567	4,784	260	34,024
Accumulated depreciation	(1,160)	(9,002)	(3,918)	(3,303)	(2,505)	-	(19,889)
Net Book Value as at 31/12/2021	**3,746**	**5,754**	**832**	**1,264**	**2,279**	**260**	**14,135**

Investments during the period were made to maintain the efficiency and production capacity of the Group's plants.

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 period, 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	Intangible assets in progress and advances	Total
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 01/01/2020	**28,483**	**666**	**13,687**	**38**	**15,035**	**71**	**57,981**
Changes in 2020							
Business combinations *	3,706	-	2,007	565	806	-	7,084
Investments	-	-	167	-	770	187	1,124
Net disposals	-	-	-	-	(21)	-	(21)
Other changes / reclassifications	-	-	-	-	2	(66)	(64)
Depreciation	(4,727)	-	-	-	-	-	(4,727)
Amortisation	-	(183)	(3,781)	(16)	(3,806)	-	(7,786)
Exchange differences	(507)	-	(390)	-	(670)	-	(1,567)
Closing Net Book Value	**26,959**	**482**	**11,690**	**587**	**12,114**	**193**	**52,025**
Historical cost	29,764	915	19,972	735	21,452	193	73,030
Accumulated depreciation	(2,808)	(432)	(8,282)	(148)	(9,339)	-	(21,005)
Net Book Value as at 31/12/2020	**26,959**	**482**	**11,690**	**587**	**12,114**	**193**	**52,025**
Changes in 2021							
Investments	-	660	653	-	-	10	1,323
Other changes / reclassifications	-	-	65	-	(6)	(187)	(128)
Amortisation	-	(315)	(3,950)	(135)	(2,405)	-	(6,805)
Exchange differences	461	-	252	-	554	-	1,267
Closing Net Book Value	**27,417**	**828**	**8,710**	**452**	**10,259**	**15**	**47,681**
Historical cost	30,225	1,574	20,888	730	22,007	15	75,439
Accumulated depreciation	(2,808)	(746)	(12,177)	(278)	(11,748)	-	(27,757)
Net Book Value as at 31/12/2021	**27,417**	**828**	**8,710**	**452**	**10,259**	**15**	**47,681**

** The item "Business combinations" for the year 2020 includes the purchase price allocation for the GICO S.p.A. acquisition.*

Goodwill

Goodwill acquired through business combinations carried out by Somec Group in previous years amounted to a total of 27,417 thousand Euro as at 31 December 2021 (26,959 thousand Euro as at 31 December 2020).
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 2021	5,952	6,482	5,685	6,379	83	2,837	**27,417**
31 December 2020	5,493	6,482	5,685	6,379	83	2,837	**26,959**

The change during the period is mainly due to exchange effects on the goodwill in the functional currency of Fabbrica LLC and the final purchase price allocation for the acquisition of GICO (Professional Cooking Equipment CGU). It is worth noting that the corresponding amounts for the Professional Cooking Equipment CGU at 31 December 2020 have been adjusted and restated for the purchase price allocation for the GICO acquisition.

For more details, please refer to the paragraph "Business combinations" in these explanatory notes; for other CGUs and verifying the presence of impairment indicators, reference is made to the paragraph "Discretionary measurements and significant accounting estimates" again in these explanatory notes.
For verifying the presence of impairment indicators and the results of tests carried out, reference is made to Note 3 below.

Development costs

At 31 December 2021 development costs amounted to 828 thousand Euro, of which 660 thousand Euro capitalised during the year, referring to the construction of new products in the Professional Cooking Equipment sector.

Patents and know-how

The item "Patents and know-how", amounting to 8,710 thousand Euro as at 31 December 2021 (11,690 thousand Euro as at 31 December 2020) 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 in 2020.
The net book value of the know-how at 31 December 2021 amounted to a total of 7,791 thousand Euro (11,068 thousand Euro at 31 December 2020).
The change in know-how is summarised in the following table:

	Know-how
Net Book Value as at 31/12/2020	**11,068**
Amortisation	(3,499)
Exchange differences	222
Net Book Value as at 31/12/2021	**7,791**

In order to identify the value of unpatented technology (know-how) from the business combinations of Fabbrica, Total Solution Interiors, Primax and Skillmax which took place in previous years, the Directors applied a method that computes the discounted present value of royalties to be paid to license holders for specific technology ("relief from royalty method"). This method is based on the assumption that the value of the asset 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.

Concessions, licences, trademarks and similar rights

The change in the item “Concessions, licenses, trademarks and similar rights” is mainly attributable to the purchase price allocation for the acquisition of GICO (Professional Cooking Equipment CGU) which led to the identification of the fair value of the GICO brand, recognised as a tangible asset with a finite useful life. The Directors have attributed a time horizon of five years to the value of the brand. At the balance sheet date, the Directors have not identified impairment indicators for the brand.

Other intangible assets

The item “Other intangible assets”, amounting to 10,259 thousand Euro as at 31 December 2021 (12,114 thousand Euro as at 31 December 2020), refers to the amount recognised as backlog and customer relationships following the acquisitions of Fabbrica LLC, Total Solution Interiors S.r.l. and Pizza Group S.r.l.. As at 31 December 2021, the net book value of the intangible asset “Customer relationships” amounts to 10,052 thousand Euro and the NBV of “Order Backlog” is completely amortised.

Changes in both items are summarised in the following table:

	Customer relationships	Order Backlog
Net Book Value as at 31/12/2020	**11,093**	**198**
Amortisation	(1,560)	(198)
Exchange differences	519	-
Net Book Value as at 31/12/2021	**10,052**	**-**

To calculate the value of backlog and relationships with customers from the Fabbrica, Total Solution Interiors and Pizza Group business combinations, realised 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 order 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 indicators for relationships with customers.

The item “Other intangible assets” includes costs capitalised during the year to the amount of 143 thousand Euro, 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 15 thousand Euro.

Note 3: Impairment test

On 08 March 2022, 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 2021 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 2022-2024 plans, transposed by the Parent Company in the Board Meeting held on 08

March 2022. 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 2021 and the conclusions reached by the Directors are summarised below for each CGU.

Impairment test – Fabbrica CGU
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 2022-2024 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 7.70%.
In addition to the explicit cash flows included in the plan, a terminal value (perpetual income) was also considered, taking NOPAT (Net Operating Profit Less Adjusted Taxes) 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 31.30%. Headroom is reduced to zero with a 65.60% 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 2022-2024 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 8.14%.
Cash flows beyond the plan period were determined using 2024 NOPAT (Net Operating Profit Less Adjusted Taxes) as the reference cash flow and applying a growth rate (g) of 1%.
The analyses showed that the recoverable amount was much 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 16.31%. Headroom is reduced to zero by a 48.73% 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 2022-2024 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 8.14%.
Cash flows beyond the plan period were determined using 2024 NOPAT (Net Operating Profit Less Adjusted Taxes) as the reference cash flow and applying a growth rate (g) of 1%.
The analyses showed that the recoverable amount was 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 12.16%. Headroom is reduced to zero with a 31.42% 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 2022-2024 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 8.36%.

Cash flows beyond the plan period were determined using 2024 NOPAT (Net Operating Profit Less Adjusted Taxes) as the reference cash flow and applying a growth rate (g) of 1%.

The analyses carried out showed a recoverable value well above the book value of the CGU, including allocated goodwill, which had previously been written down by 4,729 thousand Euro, due to an impairment loss recognised in the impairment test at 31 December 2020.

The sensitivity analysis was carried out by determining, respectively, the growing deviation of the discount rate (WACC) and the percentage reduction in EBITDA (during all years of the plan, including the terminal value), beyond which an impairment loss is identified. The WACC, or the discount rate at which the headroom is reduced to zero, was 15.94%. Headroom is reduced to zero by a 50.10% reduction in EBITDA compared to forecasts

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 2022-2024 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 8.44%.

Cash flows beyond the plan period were determined using 2024 NOPAT (Net Operating Profit Less Adjusted Taxes) as the reference cash flow and applying a growth rate (g) of 1%.

The analyses showed that the recoverable amount was much 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 19.95%. Headroom is reduced to zero with a 52.90% 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:

	Land and buildings	Plant and machinery	Company cars	Other assets	Total
Historical cost	19,979	1,416	646	1,152	23,193
Accumulated depreciation	(3,445)	(455)	(250)	(350)	(4,499)
Net Book Value as at 01/01/2020	**16,534**	**961**	**396**	**803**	**18,694**
Changes in 2020					
Increase	690	1,217	558	128	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	(3,102)	(378)	(413)	(86)	(3,979)
Exchange differences	(59)	-	-	8	(51)
Closing Net Book Value	**15,637**	**2,029**	**974**	**304**	**18,944**
Historical cost	21,560	2,542	1,583	445	26,130
Accumulated depreciation	(5,923)	(513)	(609)	(141)	(7,186)
Net Book Value as at 31/12/2020	**15,637**	**2,029**	**974**	**304**	**18,944**
Changes in 2021					
Increase	2,941	273	726	114	4,054
Other changes / reclassifications	6,474	(58)	(99)	(10)	6,307
Depreciation and amortisation	(3,125)	(447)	(450)	(121)	(4,143)
Exchange differences	382	-	-	-	382
Closing Net Book Value	**22,309**	**1,797**	**1,151**	**287**	**25,544**
Historical cost	28,154	2,577	2,036	512	33,279
Accumulated depreciation	(5,845)	(780)	(885)	(225)	(7,735)
Net Book Value as at 31/12/2021	**22,309**	**1,797**	**1,151**	**287**	**25,544**

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 sublet agreements in place. The Group did not carry out any sale and leaseback transactions during the period.
It is noted that the item Other changes/reclassifications refers mainly to the adjustment of lease agreement values with the subsidiary Vis S.r.l., which takes into account the contractual amendments made during the year and the Group’s updated development plans for exercising the option to renew these agreements.
The following table shows the amounts recognised in the statement of consolidated income:

	2021	2020
Depreciation of right-of-use assets	4,143	3,979
Interest payable on leases	484	483
Expenses - short term leases	1,464	1,788
Total recognised in the income statement	**6,091**	**6,250**

Total cash flows used for leases recognised in compliance with IFRS 16 amounted to 4,539 thousand Euro as at 31 December 2021 (4,000 thousand Euro as at 31 December 2020).

Note 5: Investments in associates

The following table shows the changes in the year 2021 of the item Investments in associates, referring to the company Squadra S.r.l..

	Associates
Net book value as at 31/12/2020	**194**
Write-ups/(write downs)	82
Dividends from equity method investments	(63)
Net book value as at 31/12/2021	**213**

Note 6: Non-current financial assets

The item is composed as follows:

	31/12/2021	31/12/2020
Securities and investment funds	287	280
Derivative instrument assets	33	-
Other	3	2
Total Non-current financial assets	**323**	**282**

Note 7: Deferred tax assets and liabilities

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

	31/12/2021		31/12/2020	
	Timing differences	Tax effect	Timing differences	Tax effect
Bad debt provision	1,331	318	813	194
Maintenance	20	5	31	7
Unpaid Directors' compensation	83	20	118	28
Inventory write-offs	1,077	272	586	147
Warranty provisions	355	86	355	86
Derivative financial instruments	176	42	457	110
Tax losses	8,963	2,174	3,974	977
Ancillary cost adjustments for equity investments	25	6	22	6
Start-up and expansion costs	352	98	724	202
Right-of-use assets	919	222	611	149
Employee benefits	405	109	336	81
Provisions	715	199	-	-
Exchange rate losses	-	-	925	222
Other	943	237	324	80
Total Deferred tax assets		**3,788**		**2,289**

To determine deferred tax assets (prepaid taxes), we applied the tax rates in force in the various countries of Group operations.
Deferred taxes calculated on tax losses that can be carried forward, amounting to 2,174 thousand Euro at 31 December 2021, refer mainly to tax losses generated in 2021 and in previous years by some subsidiaries. Taking into account the multiannual plans prepared by the Group, this 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.
As at 31 December 2021 the Group has additional tax loss carry-forwards amounting to 2,900 thousand Euro, equal to the amount of the previous year, 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 42 thousand Euro.

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

	31/12/2021		31/12/2020	
	Timing differences	Tax effect	Timing differences	Tax effect
Unrealised exchange gains	56	14	131	31
Depreciation and amortisation	530	143	347	94
USA retained earnings	2,274	614	1,807	488
Right-of-use assets	379	92	394	95
Increase in value allocated to contract assets (interim)	816	228	1,048	293
Increase in value allocated to land and buildings	1,960	547	2,050	572
Increase in value allocated to plant and machinery	414	116	983	274
Increase in value allocated to the order backlog	-	-	319	88
Increase in value allocated to know-how	7,791	2,155	11,068	3,056
Increase in value allocated to customer relationships	10,052	2,748	11,093	3,035
Increase in value allocated to brands	416	116	534	149
Other	77	17	284	74
Total Deferred tax liabilities		**6,790**		**8,249**

Note 8: Inventory and contract assets

The item is composed as follows:

	31/12/2021	31/12/2020
Raw materials and consumables	9,791	8,679
Work in process and semi-finished goods	1,527	1,234
Contract work in progress	22,329	23,778
Finished goods and goods for resale	2,249	2,306
Advances and payments on account to suppliers	189	412
Total Inventory and contract assets	**36,085**	**36,409**

Raw materials and consumables are mainly 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 the reporting date. 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).

The item Finished goods includes the 1,562 thousand Euro 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 3,154 thousand Euro, is adjusted by a bad debt provision of 1,591 thousand Euro in order to align its value with the realisable value.

The item Advances and payments on account to suppliers amounting to 189 thousand Euro, 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 3,247 thousand Euro.

Note 9: Trade receivables

Trade receivables amounting to 75,860 thousand Euro as at 31 December 2021 (65,520 thousand Euro as at 31 December 2020) 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 breakdown of gross accounts receivable by expiry date as at 31 December 2021 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 2021	62,757	7,902	2,924	4,307	**77,890**
Gross book value of trade receivables as at 31 December 2020	53,417	7,157	2,795	3,572	**66,941**

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 2021 are shown below:

Balance as at 31/12/2020	**1,421**
Allocations	(96)
Provisions	705
Balance as at 31/12/2021	**2,030**

Note 10: Other receivables

Other receivables include the following:

	31/12/2021	31/12/2020
Indirect tax receivables	5,152	4,819
Other receivables	1,578	654
Advance payments to suppliers	2,248	1,802
Prepaid expenses	887	1,016
Down-payments	234	159
Employee advances	-	84
Labour insurance receivables (INAIL)	24	192
Social security receivables (INPS)	4	46
Other tax receivables	97	195
Total Other receivables	**10,224**	**8,967**

The item Indirect tax receivables amounting to 5,152 thousand Euro (4,819 thousand Euro as at 31 December 2020) 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.
The item Other receivables includes a 674 thousand Euro credit for labour cost subsidies received by US subsidiary Fabbrica LLC.

Note 11: Tax receivables

The item includes the following:

	31/12/2021	31/12/2020
Corporation tax receivable (IRES)	1,752	1,195
Regional business tax receivable (IRAP)	241	286
Foreign tax credit	1,347	1,142
Other income tax receivables	932	197
Total Tax receivables	**4,272**	**2,820**

The item Foreign tax credit refers mainly to IRES and IRAP credit for down payments paid by some Italian companies in the Group and to credit on taxes paid abroad, 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:

	31/12/2021	31/12/2020
Securities	157	137
Prepaid interest and other financial items	232	194
Total Other current financial assets	**389**	**331**

Note 13: Cash and cash equivalents
Cash and cash equivalents are broken down as follows:

	31/12/2021	31/12/2020
Current bank accounts and post office deposits	47,503	41,792
Cash-in-hand	142	51
Total Cash and cash equivalents	**47,645**	**41,843**

Cash and cash equivalents at the end of the period refer to the balance of current accounts held with various banks on which there are no restrictions or constraints.

Note 14: Shareholders' equity

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

	31/12/2021	31/12/2020
Share capital	6,900	6,900
Share premium reserve	18,173	18,173
Legal reserve	1,380	1,380
Other reserves and retained earnings	20,185	11,873
Group net equity	**47,268**	**38,326**
Minority interest capital and reserves	7,734	8,073
Income from minorities	2,332	(1,193)
Minority interest	**10,066**	**6,880**
Total net equity	**57,334**	**45,206**

The share capital (fully paid-in) amounts to 6,900 thousand Euro as at 31 December 2021, and is composed of 6,900,000 shares of no par value, inclusive of 17,804 treasury shares.
The share premium reserve is recognised following the share capital increase that took place at the time the stock was listed on the AIM Italia market in April 2018.
Below are the main components making up the item Other reserves and retained earnings:

- Extraordinary reserve, amounting to 4,988 thousand Euro, to which profits in excess of the portion allocated to the legal reserve and dividend distribution are allocated;
- Cash flow hedge reserve, which receives the variation in the effective hedging component of derivative instruments at the *fair value*, which at 31 December 2021 had a negative balance of 120 thousand Euro (-391 thousand Euro at 31 December 2020);
- IFRS first-time adoption reserve established on the date of transition of the consolidated financial statements to the international accounting standards (1 January 2018), with the convergence of all changes introduced compared to Italian accounting standards (negative balance of 152 thousand Euro);
- Share-based payment reserve, deriving from the reporting of the Incentive Plan, entailing the recognition of a notional cost for the period of 297 thousand Euro;
- Treasury share purchase reserve, formed during the parent company's treasury share purchase programme, which took place between 12 October 2021 and 8 November 2021, in which 17,804 treasury shares were purchased, corresponding to 0.26% of the share capital, for a total value of 599 thousand Euro;
- Conversion reserve of 649 thousand Euro, relating to exchange rate differences from conversions into Euro of the balance sheets of Group companies operating in non-Euro areas;
- Profit attributable to the parent company, which at 31 December 2021 amounted to 8,446 thousand Euro, compared to 2,614 thousand Euro at 31 December 2020.

Shareholders' equity attributable to minority shareholders refers almost entirely to the minority shareholders of Fabbrica LLC, and has changed as a result of the purchase of minority interests in Hysea S.r.l. and Inoxtrend S.r.l., the sale of Oxtrade Contract S.r.l., routine conversion reserve movements (1,253 thousand Euro), the distribution of dividends to the shareholders of Fabbrica LLC (374 thousand Euro) and the allocation of the result for the year (2,332 thousand Euro).

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

	Other comprehensive income components in 2021	Other comprehensive income components in 2020
Exchange differences on translation of foreign operations	2,006	(291)
Effective portion of gains/(losses) on cash flow hedge instruments	271	(175)
Gains/(losses) on remeasurement of defined benefit plans	(39)	(50)
Total Other components of net comprehensive income	**2,238**	**(516)**

Note 15: Loans and financing

The item is composed as follows:

	31/12/2021	31/12/2020
Non-current repayments on medium/long-term loans	34,936	42,329
Total Non-current loans and financing	**34,936**	**42,329**
Instalments of medium/long term loans falling due within one year	13,612	16,862
Other loans payable	4,557	2,665
Advance payments on invoices and contracts	12,509	6,659
Overdrafts/factoring	305	178
Interest and charges on bank loans and overdrafts	22	53
Total Current loans and financing	**31,005**	**26,417**
Total Loans and financing	**65,941**	**68,746**

The fall in this item is chiefly due to the reduction in bank loans taken out mainly by the parent company and Fabbrica LLC.
The item Other loans payable refers to non-recourse factoring agreements with the factoring company Ifitalia.

Finally, it is noted that some medium-and long-term loans in place must comply with economic/financial parameters (covenants), to be calculated annually based on the results of the consolidated financial statements (specifically: net financial debt/EBITDA and net financial debt/shareholders' equity). The aforementioned parameters were respected at the closing date of these consolidated financial statements.

Note 16: Other financial liabilities

The item includes the following:

	31/12/2021	31/12/2020
Non-current lease liabilities	21,805	15,252
Derivative liabilities	188	501
Strike price of options on purchase of non-controlling interest	2,329	10,493
Payables for equity investments	-	962
Total Other non-current financial liabilities	**24,322**	**27,208**
Current lease liabilities	3,917	3,800
Strike price of options on purchase of non-controlling interest	400	-
Payables for equity investments	1,662	763
Total Other current financial liabilities	**5,979**	**4,563**
Total Other financial liabilities	**30,301**	**31,771**

Lease liabilities

Lease liabilities refer to the present value of lease payments due, in accordance with the provisions of IFRS 16.
The variation is chiefly due to the adjustment of lease agreement values with the subsidiary Vis S.r.l., which takes into account the contractual amendments made during the year and the Group's updated development plans for exercising the option to renew these agreements.

Derivative liabilities

Derivative financial liabilities to the amount of 188 thousand Euro as at 31 December 2021 (501 thousand Euro as at 31 December 2020) reflect the fair value measurement of derivative instruments outstanding on the reporting date. The Group has entered into Interest Rate Swap and Interest Rate Cap 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 Skillmax S.r.l. (2,329 thousand Euro), exercisable as of 2024 and the fair value of options on GICO S.p.A. (400 thousand Euro), exercised early, on 15 February 2022.
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, have been updated as at 31 December 2021 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.
The Parent Company opted for the early exercise of the call option on the remaining 40% stake in Primax S.r.l. on 31 March 2021, with a reduction in the associated strike price set at 2,500 thousand Euro, of which 1,400 thousand Euro paid at the closing date, 400 thousand Euro by 31 July 2021 and 700 thousand Euro by 31 January 2022.
At 31 December 2021, the fair value of the option to the minority shareholders of Total Solution Interiors S.r.l. was set to zero, since the exercising of the put and call option in 2022 was considered as the most likely scenario, based on data for the period 2019-2021. This financial liability was remeasured, resulting in the recognition in the income statement of non-recurring income of 4,805 thousand Euro.

Payables for equity investments
Payables for the purchase of equity investments refer to the difference between the final purchase price, set in the first few months of 2020, and the provisional price already paid to gain control of Total Solution Interiors S.r.l. amounting to 512 thousand Euro, to the remaining liabilities for the purchase of the shares of Pizza Group S.r.l. (for an amount of 250 thousand Euro), to the deferred price of 700 thousand Euro for the exercise of the call option on the minority stake in Primax S.r.l. described earlier, in addition to the deferred price for GICO S.p.A. (200 thousand Euro).

Note 17: Provisions for liabilities and charges

Provisions for liabilities and charges, amounting to 1.283 thousand Euro (470 thousand Euro as at 31 December 2020), increased by 827 thousand Euro mainly to reflect the best estimate of the cost to end an existing legal dispute.

Changes in the item during the year were as follows:

	31/12/2021	**31/12/2020**
Provision for cost-operating contract costs	1,035	330
Product warranty provision	25	25
Other provisions for liabilities and charges	223	115
Total provisions for liabilities and charges	**1,283**	**470**

The movements of the year were as follows:

	31/12/2020	**Allocations**	**Provisions**	**31/12/2021**
Provision for cost-operating contract costs	330	-	705	1,035
Product warranty provision	25	-	-	25
Other provisions for liabilities and charges	115	(14)	122	223
Totale Fondi rischi ed oneri	**470**	**(14)**	**827**	**1,283**

Note 18: Net defined-benefit obligations

The item refers to severance indemnity reserve (TFR), changes in which during 2021 were as follows:

Balance as at 31/12/2020	**4,381**
Provisions	1,618
Interest	17
Other changes	(78)
Actuarial (gains)/losses	(36)
Allocations for indemnities and advances	(1,646)
Balance as at 31/12/2021	**4,256**

As at 31 December 2021, there are no other types of pension plans that qualify as defined benefit plans in place. 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:

	31/12/2021	31/12/2020
Economic assumptions		
Increase in living costs	1.75%	0.80%
Discount rate	0.98%	0.34%
Severance indemnity growth rate	2.81%	2.10%
Real wage growth 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 gender	National Social Security Institute (INPS) tables by age and gender
Probability of resignation	5.00%	5.00%
Probability of advance on severance indemnity	2.00%	2.00%

Below is a 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.

	31/12/2021
Turnover rate +1%	3,236
Turnover rate -1%	3,308
Inflation rate +0.25%	3,327
Inflation rate -0.25%	3,214
Discount rate +0.25%	3,194
Discount rate -0.25%	3,348

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

	Expected payments
Within 1 year	283
Between 1 and 2 years	240
Between 2 and 3 years	297
Between 3 and 4 years	254
Between 4 and 5 years	310
Total	**1,384**

Note 19: Trade payables

Trade payables amount to 53,427 thousand Euro as at 31 December 2021, compared to 43,940 thousand Euro as at 31 December 2020. 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:

	31/12/2021	31/12/2020
Social security and pension fund liabilities	2,080	1,820
Deferred employee compensation liabilities	3,685	2,844
Payables to directors and statutory auditors	266	259
Indirect tax and withholding tax liabilities	2,212	1,500
Other liabilities	1,053	1,159
Accrued expenses and deferred income	357	187
Total Other current liabilities	**9,653**	**7,769**

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 employee compensation liabilities reflects the effects of provisions for unused holiday leave, deferred compensation, Performance bonuses and Management By Objectives (MBO) as at 31 December 2021.

Note 21: Contract work in progress and customer advances

This item, amounting to 35,224 thousand Euro as at 31 December 2021 (34,438 thousand Euro as at 31 December 2020) 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 1,950 thousand Euro (692 thousand Euro as at 31 December 2020) consists of current tax liabilities, net of advance tax payments and residual tax liabilities from the previous year.

KEY INCOME STATEMENT ITEMS

Note 22: Revenues from contracts with customers

Revenues from contracts with customers amount to 250,550 thousand Euro as at 31 December 2021 (222,068 thousand Euro as at 31 December 2020), broken down as follows by operating segment:

	2021	2020
Seascape division revenues	134,580	132,798
Change in contract work in progress – Seascape division	(935)	(728)
Landscape division revenues	114,359	101,170
Change in contract work in progress – Landscape division	2,546	(11,172)
Total Revenues from contracts with customers	**250,550**	**222,068**

The Group is not typically impacted to a significant extent by “variable considerations”, except for contract 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.

The breakdown of revenues (at 250.6 million Euro) by geographical area is as follows:

	Italy	EU	Non-EU	Total
Revenues from contracts with customers 2021	72,932	60,096	117,522	**250,550**
Revenues from contracts with customers 2020	47,341	64,079	110,648	**222,068**

Below are broken down Revenues “over time” that are recognised on the basis of the temporary transfer of control of goods and/or services to the customer and Reveues “at a point in time” at the final delivery of the goods or services.

	Revenus over time	Revenues at a point in time	Total revenues from contracts with customers
Revenues from contracts with customers 2021	221,807	28,743	**250,550**
Revenues from contracts with customers 2020	202,182	19,886	**222,068**

Note 24: Other revenues and income

Other revenues and income are broken down as follows:

	2021	2020
Grants	6,506	61
Insurance claim settlements	62	28
Other income	1,028	829
Contingent assets	334	438
Total Other revenues and income	**7,930**	**1,356**

The Group benefited, through the US subsidiary Fabbrica LLC, from a Government grant (under the “Paycheck Protection Program”) granted in two traches, respectively of 2,562 thousand Euro in 2020 and 1,690 thousand Euro in 2021, to offset operating expenses and maintain employment levels during the Covid-19 pandemic in 2020/2021.
Under the US incentive scheme the subsidiary qualified for additional State subsidies, equal to the remaining debt of 507 thousand Euro for a loan disbursed in previous years, in addition to labour cost relief of 674 thousand Euro. Tax credits for R&D activities performed in previous years totalling 409 thousand Euro were also considered in the reporting period.
It is noted that the item Other revenues and income includes mainly revenues for recouped transport expenses (244 thousand Euro), income from rentals (144 thousand Euro) and revenues for sundry sales and works (123 thousand Euro).

Note 25: Employee benefit expenses

Employee benefit expense is broken down as follows:

	2021	2020
Wages and salaries	36,947	31,977
Social security costs	7,469	6,649
Defined benefit obligations	1,616	1,570
Other personnel expenses	565	224
Total Employee benefit expenses	**46,597**	**40,420**

Personnel expenses represent total costs incurred for employees, including wages and salaries, social security and pension contributions and severance indemnity reserve.
It is noted that the item in question was affected in 2020 by the use of redundancies and layoffs, while in 2021 it was affected by a variable component linked to employee benefits, for a Group subsidiary, amounting to 2.1 million Euro.
Finally, it should be noted that the item also includes share-based payments expressing the notional cost of the medium/long-term Incentive Plan (details of which are given in the paragraph Long-Term Variable Incentive Plan 2021-2025).

The average number of employees per category as at 31 December 2021 and 31 December 2020 is shown in the following table:

	31/12/2021	31/12/2020
Directors	14	13
Managers	31	24
Office staff	340	325
Operational workers	396	456
Total	**781**	**818**

Note 26: Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs are as follows:

	2021	2020
Depreciation of property, plant and equipment	3,338	3,380
Amortisation of intangible assets	6,805	7,845
Depreciation of right-of-use assets	4,143	3,979
Write-down of goodwill	-	4,729
Depreciation of tangible and intangible assets	107	-
Provision for bad debt	513	607
Other provisions for liabilities and charges	1,014	427
Total Depreciation, amortisation and other write-downs	**15,920**	**20,967**

The provision for bad debt includes an allowance to align trade receivables with their expected realisable value.
For the item Other provisions, see the item Provisions for liabilities and charges.

Note 27: Other operating costs

Other operating costs are composed as follows:

	2021	2020
Outsourced manufacturing	20,638	16,070
Installation	27,731	16,857
Transport	6,516	3,807
Director and auditor remuneration	2,114	1,889
Audit fees	350	263
Other expenses	25,430	25,921
Total Other operating costs	**82,779**	**64,807**

Note 28: Financial income and expenses

The item includes the following:

	2021	2020
Interest payable on bank loans and borrowings	(540)	(577)
Interest payable on lease liabilities	(484)	(483)
Interest payable on defined benefit plans	(17)	(18)
Interest payable to third parties	(460)	(684)
Other financial charges	(98)	(237)
Remeasurement of financial liabilities (*put option*)	(9)	-
Total Financial expenses	**(1,608)**	**(1,999)**
Other financial income	51	72
Other interest	33	93
Other income	19	8
Revaluation of financial assets	33	-
Remeasurement of financial liabilities (*put option*)	5,350	4,778
Total Financial income	**5,486**	**4,951**
Total Financial income and expenses	**3,878**	**2,952**

The item Financial income and expenses had a positive balance of 3,878 thousand Euro (+2,952 thousand Euro at 31 December 2020).
It is noted that as at 31 December 2021, the *fair value* of options for the minority shareholders of Skillmax S.r.l. and Total Solution Interiors S.r.l. were adjusted, resulting in the recognition of income of 373 thousand Euro and 4,805 thousand Euro respectively.

Note 29: Other income (and expenses)

The item Other income and expenses is composed of the balance of positive and negative exchange rate differences, amounting to a positive 203 thousand Euro as at 31 December 2021 (negative balance of 797 thousand Euro as at 31 December 2020). In the previous year this item also included income deriving from the acquisition of Pizza Group S.r.l. of 1,457 thousand Euro, the difference between the total sum paid and the fair value of acquired net assets.

Note 30: Income from associates

The item, amounting to 82 thousand Euro as at 31 December 2021, 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:

	2021	2020
Current tax:		
- IRES	2,390	1,518
- IRAP	529	288
- Other current tax for foreign subsidiaries	873	681
Income tax prior years	180	150
Deferred tax liabilities	(1,672)	(1,781)
Deferred tax assets	(1,793)	(830)
Total Income taxes	**507**	**26**

Below is the reconciliation of the theoretical and the actual tax burden for both periods.

	2021	2020
IRES theoretical rate	24%	24%
Pre-tax result	11,285	1,447
Theoretical taxes (*)	2,708	347
Actual taxes	507	26
Difference explained by:	**2,201**	**321**
1) Different rates in other countries	877	211
2) Permanent differences	167	-
(i) IRAP and other local taxes	(586)	(288)
(ii) non-deductible items	1,769	429
(iii) taxes in previous years	(181)	(150)
(iv) other	155	119
Total difference	**2,201**	**321**

** Theoretical taxes calculated by applying the parent company's IRES rate.*

Note 32: Earnings per share

The item earnings per share is 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:

	2021	2020
Earnings/(Loss) per share (Euro)	1.23	0.38
Diluted earnings/(Loss) per share (Euro)	1.23	0.38
Weighted average number of outstanding shares:		
- basic	6,877,986	6,900,000
- diluted	6,877,986	6,900,000

FINANCIAL RISK MANAGEMENT: OBJECTIVES AND CRITERIA

The Board of Directors reviewed and agreed on 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:

	31/12/2021	**31/12/2020**
Non-current financial assets	323	282
Trade receivables	75,860	65,520
Other receivables	10,224	8,967
Current financial assets	389	331
Cash and cash equivalents	47,645	41,843
Total	**134,441**	**116,943**

Please see Note 9 Trade receivables for the exposure to credit risk at the end of the period deriving from trade receivables by geographic area and changes in the related allowance for doubtful accounts.

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 Group's assets and liabilities denominated in a currency other than the Euro.
More specifically, the Group is exposed to currency translation-related risk. Although the Group prepares its consolidated financial statements using the Euro as the currency of account, it controls companies with financial statements denominated in currencies other than the Euro (i.e. US dollar). Therefore, the Group is exposed to the risk that any exchange rate fluctuations when converting the non-Euro denominated financial statements of the controlled company into its own functional currency could have a significant impact on the consolidated financial statements.
The Group is also exposed to exchange "settlement" risk as it also conducts its business in countries outside the Eurozone and, therefore, the revenues, costs and equity components of some of the Group's assets are denominated in currencies other than the Euro, particularly the US dollar (USD).

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.

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 2021 in comparison with same items as at 31 December 2020.

	31/12/2021				31/12/2020			
	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	-	-	33,109	1,827	-	-	41,408	921
Other non-current financial liabilities	-	-	16,689	7,632	-	-	23,013	4,195
Other non-current liabilities	-	-	-	-	-	-	69	-
Total non-current liabilities	**-**	**-**	**49,798**	**9,459**	**-**	**-**	**64,490**	**5,116**
Trade payables	-	53,427	-	-	-	43,940	-	-
Other current liabilities	-	9,653	-	-	-	7,769	-	-
Loans and financing	17,393	13,612	-	-	9,429	16,988	-	-
Other current financial liabilities	-	5,979	-	-	-	4,563	-	-
Income tax liabilities	-	1,950	-	-	-	692	-	-
Total current liabilities	**17,393**	**84,621**	**-**	**-**	**9,429**	**73,952**	**-**	**-**

Some medium-long term loans in place must comply with economic/financial parameters (covenants) to be calculated annualy based on the results of the consolidated financial statements (specifically: net financial position/EBITDA and net financial position/shareholder's equity). The aforementioned parameter were respected at the closing date of these consolidated financial statements.

Risks related to the COVID-19 virus (Coronavirus)

The success of the vaccination plan and of the extraordinary measures taken show clear evidence of the Covid-19 situation becoming normalised in the medium term, but still leave some short-term uncertainties.

However, the persistence or possible deterioration of the situation cannot be ruled out, and this may have an impact on the normal management of operations, with particular reference to the supply and customer chains. To mitigate this risk, the Group immediately took decisive steps, such as the establishment of an in-house task force, the adoption of strict measures and protocols to safeguard the health of employees and policies in support of suppliers and customers in order to preserve business relations.

Risks relating to the worldwide geopolitical situation

The global geopolitical situation is going through a moment of extreme tension and complexity, due especially to the Russia-Ukraine conflict. This dramatic event, coming on top of an already critical situation caused by the pandemic, has exacerbated inflationary phenomena and speculation, particularly with regard to energy and raw material prices, and caused interruptions to supplies. Although the Group has no direct or indirect business interests in the areas affected by the conflict, and its business model is neither energy-intensive nor particularly exposed to inflationary phenomena regarding raw materials or the higher costs of international transactions, the continuation of this situation might lead to difficulties in the normal management of operations or to pressures on margins.

The impact of these risks is however mitigated by the characteristics of the Group's production process and by the degree of visibility allowed by the backlog. This has made it possible to plan strategies and procurement activities well in advance.

Cyber Security risks

The Group is exposed to such risks due to the growing use of IT systems and the spread of digitisation processes. Relative consequences might lead to a loss of data, interruptions to activities or privacy violations.
While it is not particularly exposed to this risk, the Group is still engaged in constant activity to strengthen its security systems and procedures, training staff and protecting IT infrastructures with ad hoc measures.

Risks related to climate change

The Group is committed to ensuring the transition to a low-polluting economy. There may however still be transition-related and physical risks, having a possible impact on business processes, in particular production processes.
Group assets might also be affected by natural events (floods, droughts, fires and so on) generated by the effects of climate change.
The Group's industrial strategy is oriented towards continuously raising the efficiency of production systems and processes to reduce energy consumption and air emissions. Its market positioning makes it a partner of excellence for leading US players in the sphere of research, development and implementation of innovative solutions that have a low environmental impact and actively combat climate change.
The Group implements actions to combat acute and chronic physical risks, and has taken out specific insurance coverage to guard against possible consequences deriving from disastrous climatic and natural events.
In order to mitigate these risks, the Group is also committed to integrating sustainability issues in its business plan and incentive tools, monitoring relevant elements through "what-if" analyses.

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:

	31/12/2021		31/12/2020	
	Book value	**Fair value**	**Book value**	***Fair value***
Interest Rate Swaps:				
- Assets	33	33	-	-
- Liabilities	(188)	(188)	(501)	(501)
Call options on acquisition of non-controlling interest	(2,729)	(2,729)	(10,493)	(10,493)
Total	**(2,884)**	**(2,884)**	**(10,994)**	**(10,994)**

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 2021 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 2021 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 of the parent company and their family members, as well as some members of the Board of Directors and Executives vested with strategic responsibility of other Group companies and their family members.
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 2021 are summarised below:

Statement of financial position

	Trade receivables	Other receivables	Other non-current financial liabilities	Other current liabilities
2.0 Partners LLC	-	-	-	(14)
MS Studio Concept Inc.	-	-	(230)	(23)
Squadra S.r.l.	-	(256)	-	-
Venezia S.p.A.	3	(19)	-	-
Vis S.r.l.	3	-	(8,156)	(909)
Total	**6**	**(275)**	**(8,386)**	**(946)**

Other current financial liabilities mainly include lease liabilities relating to rental agreements on real estate properties owned by related companies. Lease payments paid during the period amount to 1,428 thousand Euro.

Income statement

	Other revenues	Raw materials and consumables	Other operating costs	Financial expenses
2.0 Partners LLC	-	-	-	(54)
Art.Serf S.p.A.	-	(15)	-	-
La.Mec. Lavorazioni Meccaniche S.r.l.	-	(91)	-	-
Squadra S.r.l.	-	-	(1,872)	-
Venezia S.p.A.	3	-	(19)	-
Vis S.r.l.	3	-	(7)	-
Total	**6**	**(106)**	**(1,898)**	**(54)**

Following Somec S.p.A.'s early exercise of the call option on the remaining 40% of Primax S.r.l. previously held by a minority shareholder, as of 1 April 2021 the companies attributable to that shareholder were removed from the related-party list. The balance sheet items for these companies are therefore not shown, whereas the amounts shown in the income statement refer only to the costs incurred in the first quarter of 2021.

It is also noted that during the reporting period there were no "highly significant" transactions pursuant to Annex 3 to the Regulation "Transactions with related parties", issued by Consob with Resolution no. 17221 of 12 March 2010, amended by Consob resolution no. 21624 of 10 December 2020, for either the parent company or subsidiaries. No other transactions with related parties materially affected the company's financial situation or results during the year, nor did any changes or further developments to transactions with related parties as described in the last annual report have a material effect on the company's financial situation or results.

Compensation of Directors, Statutory Auditors, and Executive Officers

	Compensation	Non-cash compensation	Bonuses and other incentives	Other compensation
Parent Company Board of Directors	924	10	-	440
Parent Company Board of Statutory Auditors	52	-	-	-
Key management personnel	-	6	493	1,124
Total	**976**	**16**	**493**	**1,564**

LONG-TERM VARIABLE INCENTIVE PLAN 2021-2025

The Long-term Variable Incentive Plan 2021-2025, approved by the Shareholders' Meeting of 29 April 2021, is based on financial instruments, and entails individual bonuses for the company's "Strategic" Executives, with a view to further incentivising the pursuit of the Group's medium-/long-term strategic objectives.

The Plan is of a mixed type, consisting chiefly of Performance shares (70%) and to a lesser extent Restricted shares (30%), with a view to incentivising management to achieve financial objectives and, indirectly, sustainability objectives, as expressed in the Group's 2021-2023 Business Plan.

As for Restricted Shares, one third of the total will be disbursed when the Financial Statements are approved (for the financial years 2021, 2022 and 2023), if the person in question is still working in the company at the close of the reporting period or if the conditions of "Good Leaver" are met.

The accrual of Performance Shares is dependent on the achievement of:

- a company performance condition placed as a "gate" to entering the incentive system (Entry Gate condition);
- two Performance Objectives (so-called "KPIs"), which determine the bonus to be awarded, decided by the Board of Directors further to a proposal from the Remuneration Committee in accordance with the Consolidated Business Plan 2021-2023.

The disbursement of Performance Shares is planned up-front (29% of the total) at the end of the three performance years and, deferred for the remaining part, at the end of the fifth year, further to the meeting of an additional performance condition.
Cash settlements are not envisaged.

For the entire duration of the Plan's vesting period, the beneficiary must:

- be the holder of an open-ended employment relationship that is not suspended due to leave;
- not have tendered his/her resignation;
- in the event of termination of the employment relationship, not have a so-called "Bad leaver" status.

The assumptions and methodology used in Plan assessments, the effects of which (on the balance sheet and income statement) are reported in notes 14 and 25 respectively, are consistent with those set out in IFRS 2.
The following factors have been taken into account when estimating the number of accrued rights at the balance sheet date:

- with regard to the exit of beneficiaries, an annual probability of exiting of 0% has been assumed;
- with regard to the achievement of the objectives, target goals have been set according to a mix of scenarios taking into account the Multiannual plan adopted by the Group.

Valuation of the fair value

Assigned options have been measured taking into account the financial market conditions in place at the time of assignment.

The methodology adopted to estimate the fair value follows the risk neutral approach, the valuation reflecting "no arbitrage" and "risk neutral framework" traits common to essential option pricing models.

The expected dividend rate of the underlying option was considered, assumed for the different years of the plan, namely: 0.90% in 2022, 1.20% in 2023, 1.70% in 2024, 1.90% in 2025 and 2.00% in 2026.

The price of the share at the time of assignment was 30.70 Euro, a binomial valuation model being used.

Below are details of the options assigned on 15 October 2021 and the corresponding *fair value* of options considered to be accrued based on the above-listed assumptions.

Vesting	Assigned options			Accrued options			Fair value
	Restricted share	Performance share	Total	Restricted share	Performance share	Total	
Approval of 2021 financial statements	10,966	-	10,966	10,966	-	10,966	333,636
Approval of 2022 financial statements	10,966	-	10,966	10,966	-	10,966	329,633
Approval of 2023 financial statements	10,966	21,148	32,115	10,966	16,352	27,318	807,187
Approval of 2025 financial statements	-	51,777	51,777	-	39,257	39,257	1,115,157
Total	**32,899**	**72,925**	**105,824**	**32,899**	**55,609**	**88,508**	**2,585,613**

The cost accrued in the reporting period was 297 thousand Euro, and includes the so-called Performance Share and Restricted Share components from the assignment date of 15 October 2021 through to 31 December 2021.

NET FINANCIAL POSITION

The following shows the Net financial position as defined by the new ESMA Guidelines dated 4 March 2021(see Consob Notice no.5/21 of 29th April 2021).

	Amounts in €/000	**31/12/2021**	**31/12/2020**
A.	Cash	47,645	41,843
B.	Cash equivalents	-	-
C.	Other current financial assets	389	331
D.	**Total liquidity (A+B+C)**	**48,034**	**42,174**
E.	Current financial liabilities (including debt instruments, excluding the current portion of non-current financial liabilities)	(23,372)	(14,118)
F.	Current portion of long term debt	(13,612)	(16,862)
G.	**Current debt (E+F)**	**(36,984)**	**(30,980)**
H.	**Non-current financial position (G-D)**	**11,050**	**11,194**
I.	Non-current financial liabilities (excluding current portion and debt instruments)	(59,258)	(69,537)
J.	Debt instruments	-	-
K.	Trade payables and other non-current liabilities	-	-
L.	**Non-current financial position (I+J+K)**	**(59,258)**	**(69,537)**
M.	**Net financial position (H+L)**	**(48,208)**	**(58,343)**

Current debt and non current financial position include financial liabilites on rental agreements.

COMMITMENTS AND RISKS

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

	31/12/2021	**31/12/2020**
Contract sureties	249,243	210,602
Other guarantees	261,420	228,560
Real guarantees	-	100
Total	**510,663**	**439,262**

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.

UNUSUAL TRANSACTIONS

The Group did not carry out any unusual transactions during the year 2021.

SIGNIFICANT EVENTS AFTER YEAR END 2021

Agreement on raising the controlling interest in Fabbrica LLC
On 3 January 2022 Somec S.p.A., through its direct subsidiary 3.0 Partners USA Inc., signed an agreement for the acquisition of an additional 20% stake in the share capital of its US subsidiary Fabbrica LLC from minority shareholder 2.0 Partners LLC. The transaction will be completed by no later than 30 April 2022. After the conclusion of this transaction, Somec S.p.A. will raise its indirect controlling interest from the current 50.9% to 70.9%.

Finalisation of the Bluesteel acquisition
On 13 January 2022 Somec S.p.A. completed the acquisition of 60% of the share capital of Bluesteel S.r.l., a player in the European market of engineered systems for façades and windows. This acquisition marks a continuation of the strategy of consolidating the Group's presence in the Building Façades segment. The growing demand for building renovation, in terms of environmental sustainability and reduction of waste and running costs, will allow further growth of the division in both the American and European markets.
The acquisition price includes a fixed component of 1.5 million Euro, paid on closing, in addition to a variable earn-out of a maximum 0.5 million Euro to be settled by July 30, 2022, on the basis of established 2021 financial statement targets. Upon closing Somec undertook a capital injection of 1 million Euro in the newly-acquired company. The agreements link the remaining 40% of the shares to put and call option exercisable from the approval of the company's financial statements at December 31, 2025 and until June 30, 2026.

Early acquisition of remaining 20% of GICO
On 16 December 2021 Somec S.p.A. signed an agreement for the early purchase of the remaining 20% of GICO's share capital, acquired in July 2020. Following the completion of the purchase on 15 February 2022, Somec S.p.A. increased its controlling interest from 80% to 100%, becoming its sole shareholder.

Establishment of Mestieri
On 17 February 2022 Mestieri S.r l. was established, a company 100% controlled by Somec S.p.A. and based in San Vendemiano (TV). The basic plan is to roll out turnkey projects for custom interiors, in order to expand the parent company's business and strengthen the division devoted to the design and creation of high-end interiors.

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San Vendemiano – Italy, 23 March 2022

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 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 2021.

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 2021:

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.

23 March 2022

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

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Somec S.p.A.

Consolidated financial statements as at December 31, 2021

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, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2021, 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:

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Key Audit Matter	Audit Response
Valuation of goodwill	
The consolidated financial statements include, within Intangible assets, goodwill for Euro 27.4 million, allocated to the cash generating units of the Group (CGU) or to a group of CGUs. Processes and methods for evaluating and determining the recoverable amount of each CGU, in terms of value in use, sometimes are based on complex assumptions which, by their nature, imply recourse to the judgment of the directors, in particular with reference to future cash flows included in the 2022-2024 plans prepared for each of the CGU, the determination of the normalized cash flows at the basis of terminal value's estimation, 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 considered that this issue represents a key audit matter. Disclosures in the consolidated financial statements relating to the valuation of goodwill are reported in Note 2 "Intangible assets", in Note 3 "Impairment test" which describes the process of determining the recoverable amount of each CGU or group of CGUs, as well as the assumptions used and the sensitivity analysis on the main assumptions adopted, as well as in the paragraph "Summary of main accounting standards" and in the paragraph "Discretionary measurements and significant accounting estimates".	Our audit procedures related to the key audit matter included, among others: • the analysis of the process and key controls implemented by the company in connection to the valuation of the recoverable amount of goodwill; • the assessment of the adequacy of the CGU identification, 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 arising from the impairment test; • the analysis of the reasonableness of the main assumptions adopted for the future cash flows forecasts, by obtaining information from the Management and by comparing the historical forecasts with the actual data; • verification of the mathematical accuracy of the model adopted to determine the value in use of the CGU or groups of CGUs, including the methodology used to estimate the terminal value; • the assessment of the determination of long-term growth rates and discount rates. Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation and performed a sensitivity analysis on the key assumptions, in order to determine the changes in the assumptions that could significantly impact the valuation of the recoverable amount. Lastly, we assessed the adequacy of the disclosure provided in the explanatory notes to the consolidated financial statements with reference to the intangible assets.

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Key Audit Matter	Audit Response
Valuation of the contract work in progress	
The consolidated financial statements include, within Inventory and Contract Assets, contract work in progress for Euro 22.3 million, and Liabilities for contract work in progress and advances from customers for Euro 35.2 million. With reference to contract work in progress, liabilities for contract work in progress, and the corresponding revenues from contracts with customers, the application of the cost-to-cost method requires estimate of the total cost to complete for each project and the related recurring updating, through the use of assumptions by the directors. In the evaluation of work in progress, the profit is recognized through profit and loss according to the progress. A proper accounting recognition of the work in progress assume the estimation of the final costs, of the assumed cost increases, as well as of the delays, extra costs and penalties that could reduce the expected margin. The directors base their estimates on the information deriving from the internal reporting system, forecasting and reporting of the order, as well as examine and, where necessary, revise the estimates of revenues and costs at the various stages of completion of the projects. 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. Considering the economic and financial impact of the contract 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 considered that this issue represents a key audit matter. The consolidated financial statements disclosure relating to contractual assets for contract work in progress and liabilities for contract work in progress and advances from customers is included in Notes 8 and 21, as well as in the	Our audit procedures related to the key audit matter included, among others: • the analysis of the process and key controls put in place by the Group in the planning and control of projects, including the verification of the criteria for the revenues recognition and the verification of controls relating to IT systems; • the analysis of the main assumptions adopted in forecasting the costs to complete the projects and to determine the total revenues, through the verification, on a sample basis, of the project's reports, interviews with management and examination of contracts; • the comparative analysis of the main variations in the project results compared to the initial estimates and the previous years' estimates; • the execution of substantive procedures with the sample method on contract costs and on the actual progress of projects; • external confirmation procedures to clients, on a sample basis, in order to verify the existence and completeness of specific agreed contractual reserves. 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.

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Key Audit Matter	Audit Response
paragraph "Summary of main accounting standards" and "Discretionary measurements and significant accounting estimates".	

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 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.

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Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Somec S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

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 Report on Operations and of the Report on Corporate Governance and Ownership Structure of Somec Group as at December 31, 2021, 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 Report on Operations 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, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations 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, 2021 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.

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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 7, 2022

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

As disclosed by the Directors on page 32, the accompanying consolidated financial statements of Somec S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.