ANNUAL REPORT
—
2022

SOMEC GRUPPO


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DIRECTORS' REPORT
—
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

LETTER FROM THE CHAIRMAN TO SHAREHOLDERS

Dear Shareholders,

In this letter, which has now become an important and heartfelt appointment – for me even more than for you – I have always been candid. I have never hidden the challenges that our Group has had to face over the past few years, against a backdrop filled with complexities we never imagined we would have to cope with. However, we have managed to remain on track, responding to crises with new investments and dealing with changes proactively.

Undoubtedly, 2022 completed a challenging three-year period, where the heavy toll taken by the Covid pandemic was augmented last year by the tragedy in Ukraine, as well as by the direct impact that these events have had on the real economy, in Italy and across the globe, with an upsurge in energy and commodity prices, while inflation has reached peaks we have not seen since the 1980s.

While sailing through somehow stormy waters, Somec remained focused and delivered on the investments and forecasts set out in its Business Plan, which was developed following the reorganisation of its business into three new business units, overcoming the previous Seascape/Landscape dichotomy. This latter choice, I am confident to say, has proved rewarding.

2022 was characterised by a strong acquisition campaign involving 20% of the share capital of Fabbrica, 60% of Bluesteel, 65% of Budri and 60% of Lamp Arredo. Although higher costs inevitably put pressure on profitability, which was also weighed down by depreciation of acquisitions, turnover and backlog showed record figures. In detail, revenues stood at 328.8 million Euro, up 27.2% over 2021, thanks to the combined effect of organic growth (+43.8 million Euro) and acquisitions (+26.5 million Euro).

Turnover increased across all Somec Business Units (BUs). Revenues in Engineered Systems for Naval Architecture and Building Façades, a segment that has always played a major role in our business, almost reached the 200 million Euro threshold (193.6 million Euro), up 15.5% year-on-year, driven by the post-Covid recovery of the naval business and the success of Fabbrica in the US. The Professional Kitchen Systems and Products BU increased its turnover by 9% to 65.5 million Euro. A special mention goes to Mestieri: design and creation of customised interiors, whose turnover more than doubled from 30.8 million Euro to 69.7 million Euro, showing an increase of +126.3%, a sign that the path taken is the right one.

The backlog also set a further record at 934 million Euro, with new orders worth over 250 million Euro well distributed between the naval business – where the contracts won last year from the German Meyer Werft shipyard and the French Chantiers de l'Atlantique shipyard for some of the world's leading cruise operators stand out – and the civil business, with 164 million USD worth contracts pertaining to real estate projects won by Fabbrica in the United States.

While there are still a number of reasons that call for caution in financial year 2023, optimism and vision must likewise be factored in, as they have always guided our actions. The continuing conflict in Ukraine and the resulting international geopolitical tensions cause an obvious destabilising effect. The continuing monetary tightening of central banks to curb inflation and turbulence, last but not least, the turmoil in the banking sector as US and European banks face crisis add to the not-so-reassuring backdrop. Yet again, Somec estimates an increase in volumes despite the uncertain outlook and expects a growth-driven 2023 financial year, underpinned by the (i) good prospects of the sectors in which the Group operates, (ii) solid order portfolio, (iii) slow but steady decrease in raw material prices, and (iv) management action geared towards recovering profitability. This activity got underway in the past financial year and has already had positive effects in the second half of last year.

In 2023, the Engineered Systems for Naval Architectural and Building Façades BU will focus on (i) the profitability of existing and backlog orders, (ii) ship refitting to create additional value, and (iii) soft backlog renegotiation. The Professional Kitchen Systems and Products BU's profitability will normalise following a revision of price lists, while Mestieri: design and production of bespoke interiors BU will benefit from a 12-month consolidation of all the companies acquired, including Gino Ceolin from January, as well as from the commercial synergies, in Europe and overseas, that are the driving force and the rationale behind this project dedicated to high-end interior design.

Based on these facts, I am confident that 2023 will be yet another important year, in which we will build on the results achieved so far and will further strengthen our international foothold, striving to achieve each of the goals we have set. Important news will accompany our journey. For the first time in our history, as a tangible sign of consideration for and commitment to our shareholders, our investors and all the Group's stakeholders, we have disclosed our income and financial forecasts for the current financial year. Revenues of no less than 360 million Euro are forecast, driven in particular by the Mestieri: design and production of bespoke interiors BU; an EBITDA of no less than 30 million Euro, suggesting an operating profitability in terms of EBITDA margin of more than 8%; and a Pre-IFRS 16 Net Financial Position of less than 40 million Euro, even considering the impact of Ceolin acquisition.

Last, we confirm a return to payment of dividends from profits of financial year 2023, whereas 2022 ended virtually with a break-even at the consolidated level, partly due to extraordinary charges that affected net profit.

As stressed on past occasions Somec aims to establish itself, every day more and more, as the hub of Italian construction quality, acting as champion – through all its companies – of the best made-in-Italy products worldwide. To this end, the strong foundations we have laid during our journey so far, and, more importantly, the clear business vision that I share with the entire management, makes me look to the near and long-term future with renewed confidence.

Thank you,

Oscar Marchetto
Chairman of Somec S.p.A.


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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 22 March 2023.
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:

- **Adjusted net income** is the result for the year before adjustments related to provisions for doubtful receivables, shown net of the related tax effect
- **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
- **Adjusted EBIT** is EBIT before adjustments for provisions for doubtful receivables
- **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 Financial Debt** is determined as defined by the new ESMA Guidelines dated 4 March 2021 (see Consob Notice No. 5/21 of 29 April 2021)
- **Net Financial Position** is determined by adding fair value of current and non-current derivative assets to net financial debt

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 MANAGER

Andrea Moretti

email: investorrelations@somecgruppo.com
Tel: +39 0438 471998

GENERAL INFORMATION

SOMEC GROUP

specialises in the engineering, design and deployment of complex turnkey projects in civil and naval engineering by relying on three business units: Engineered systems for naval architecture and building façades; Professional kitchen systems and products; Mestieri: design and production of bespoke interiors division.
The Group's companies operate in an integrated and synergetic manner, according to strict quality and safety standards while guaranteeing a high level of customisation and specific know-how on the processing of different materials, a key requirement when delivering high value-added projects.
In over forty years of history and by relying on rigorous certification and accreditation processes, Somec has achieved a reputation for quality and operational and financial reliability on a global scale.

The Group operates through three business units:

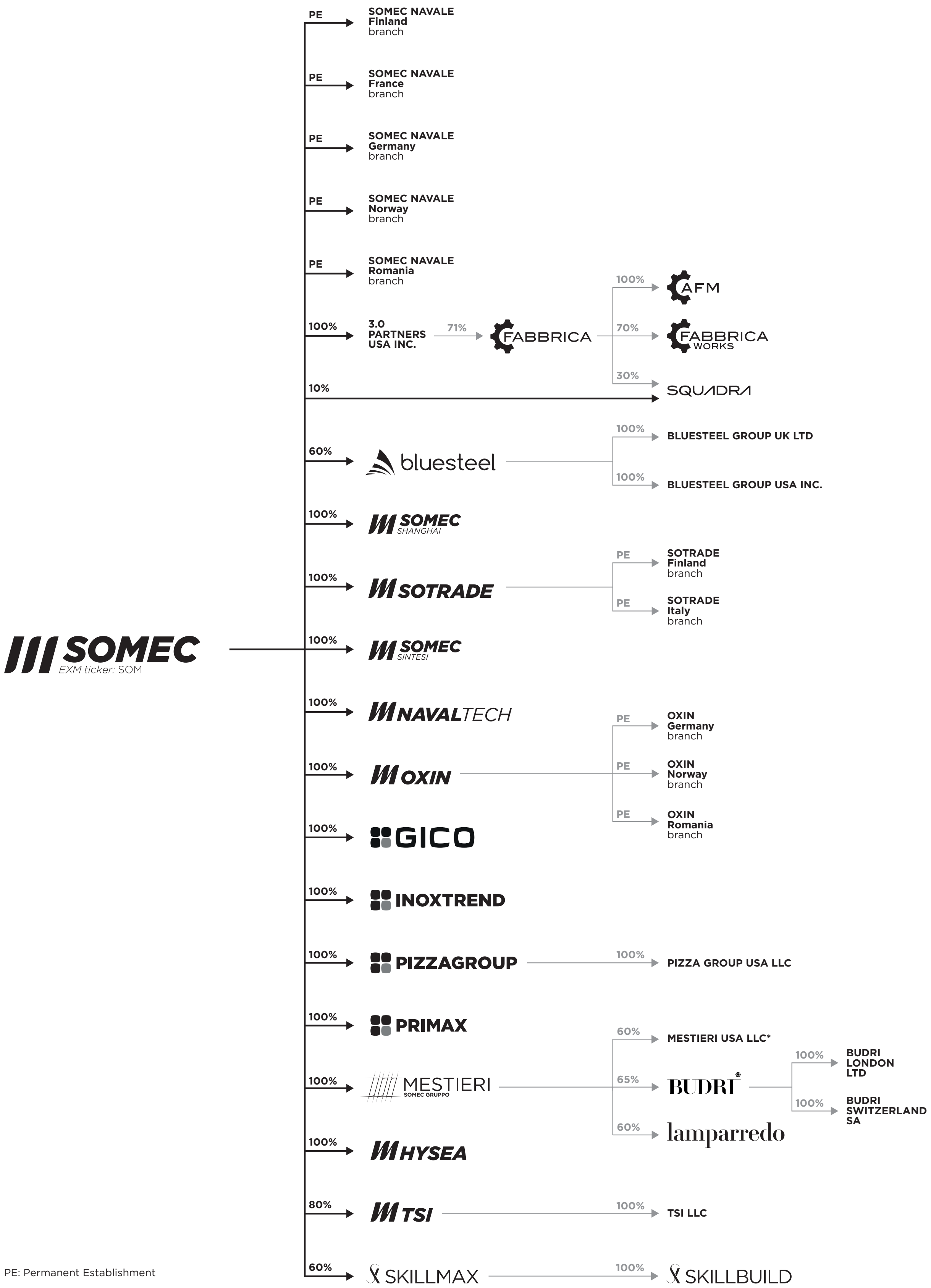
→ **Engineered systems for naval architecture and building façades**
The Somec Group is one of the largest players in Europe and North America regarding the design, careful selection of materials, production, installation and maintenance of innovative solutions and original engineered systems for naval architecture and building façades, ensuring the highest certified standards of quality and durability

→ **Professional kitchen systems and products**
The Somec Group designs and produces integrated and customisable systems for professional kitchens, harmoniously combining aesthetics with top performance, as well as turnkey projects in the restaurant and hospitality sectors.
All its products are backed by certified standards of high efficiency and durability for international clients whose needs and expectations are always satisfied

→ **Mestieri: design and production of bespoke interiors division**
The Somec Group rolls out turnkey projects for high-end interiors, making the most of the skills and know-how of Italian craftsmen able to work with a wide range of materials, from metals and marbles to precious woods, leathers and fabrics.
A history of excellence, with a portfolio of unique references, coordinated by a lead company that takes charge of the general management of the most complex and sophisticated projects in the following sectors: cruising and yachting, hospitality and restaurant, high-end residential and first-class retail

SOMEC GROUP STRUCTURE

The following graph shows the Group’s structure at 31 December 2022.



PE: Permanent Establishment

*MESTIERI USA INC.:
60% owned by Mestieri S.r.l.
and 40% by 2.0 Partners LLC

SOMEC NAVALE

SOMEC SINTESI

NAVALTECH

SOTRADE

SYSTEMS OF NAVAL ARCHITECTURE AND BUILDING FAÇADES

FABBRICA

FABBRICA WORKS

AFM

bluesteel

SQUADRA

PROFESSIONAL KITCHEN SYSTEMS AND PRODUCTS

MOXIN

GICO

INOXTREND

PRIMAX

PIZZAGROUP

MESTIERI: DESIGN AND CREATION OF CUSTOM HIGH-END INTERIORS

MESTIERI
SOMEC GRUPPO

TSI

HYSEA

SKILLMAX

SKILLBUILD

BUDRI

lamparredo

SCOPE OF CONSOLIDATION

As at 31 December 2022 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
Bluesteel S.r.l.	Colle Umberto (TV)	60% (1)	Euro	650,000
GICO S.p.A.	Vazzola (TV)	100%	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
Mestieri S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
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)	80% (2)	Euro	100,000
Indirectly owned subsidiaries				*(currency unit)*
Atelier de Façades Montréal Inc.	Montréal (Canada)	70.90%	CAD	100
Bluesteel Group UK Ltd	Londra (UK)	60% (1)	GBP	100
Bluesteel Group USA Inc.	New York (USA)	60% (1)	USD	10,000
Budri S.r.l.	Mirandola (MO)	65% (3)	Euro	3,000,000
Budri London Ltd	Londra (UK)	65% (3)	GBP	10,000
Budri Switzerland SA	Lugano (CH)	65% (3)	CHF	100,000
Fabbrica LLC	Delaware (USA)	70.90%	USD	6,250,000
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	49.63% (4)	Euro	100,000
Lamp Arredo S.r.l.	Quinto di Treviso	60% (5)	Euro	100,000
Mestieri USA Inc.	Delaware (USA)	60%	USD	10,000
Pizza Group USA LLC	Houston (USA)	100%	USD	10,000
Skillbuild S.r.l.	San Biagio di Callalta (TV)	60% (2)	Euro	20,000
Total Solution Interiors LLC	Miami (USA)	80% (2)	USD	293,034

On 13 January 2022 Somec S.p.A. completed the acquisition of 60% of the share capital of Bluesteel S.r.l., which thus enters the scope of consolidation together with the companies Bluesteel Group UK Ltd and Bluesteel Group USA Inc., which are 100% directly controlled. The companies were fully consolidated over the entire yearly period.

On 15 February 2022 the Call option for the 20% stake in GICO S.p.A. was exercised in advance. As of 31 December 2022, the Parent Company therefore holds 100% of the share capital of GICO S.p.A.

On 19 April 2022 the indirect controlling interest in the US company Fabbrica LLC was increased, through the company 3.0 Partners USA Inc., from 50.9% to 70.9% of the share capital.

In the first half of 2022 Mestieri S.r.l. was also established, 100% controlled by Parent Company Somec S.p.A. and, to expand the business centering on the design and creation of high-end interiors in the US market, Mestieri USA Inc. was also founded, 60% controlled by Mestieri S.r.l. and 40% by other minority shareholders.

In April 2022 the subsidiary Pizza Group S.r.l. established Pizza Group USA LLC, to strengthen its presence in the US market.

On 20 July 2022, the acquisition of 65% of the share capital of Budri S.r.l. was finalised through subsidiary Mestieri S.r.l., which is part of the consolidation scope together with Budri London Ltd and Budri Switzerland SA, which are directly wholly owned subsidiaries. The companies were fully consolidated as of the second half of the year.

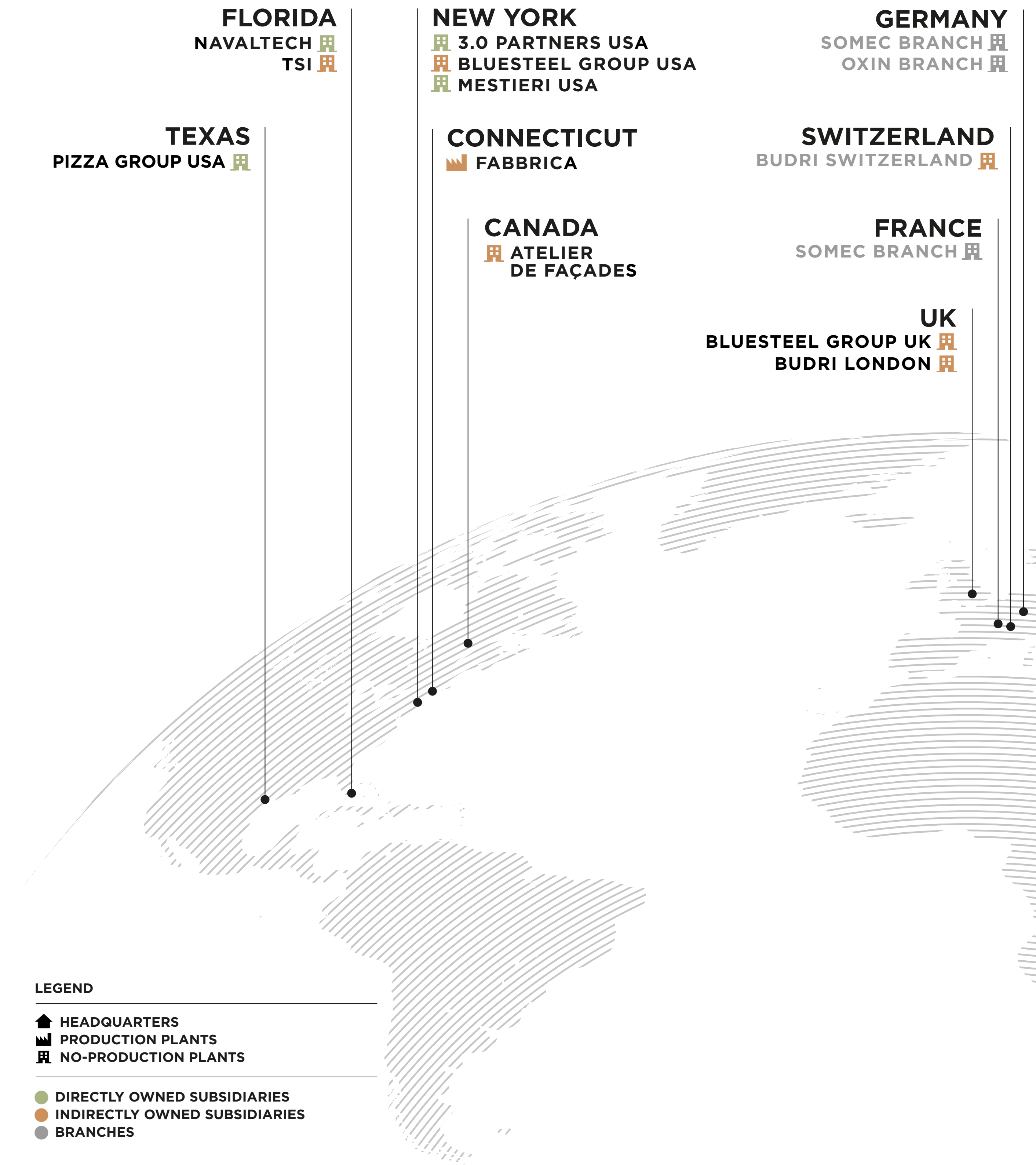
On the same date, Somec S.p.A. finalised the exercise of the Call option on 20% of the share capital of Total Solution Interiors S.r.l., previously held by some minority shareholders, thus reaching an equity interest of 80%.

Finally, on 28 October 2022, the acquisition of 60% of the share capital of Lamp Arredo S.r.l. was finalised through subsidiary Mestieri S.r.l. The company was fully consolidated as of the date of acquisition.

(1) The acquisition of Bluesteel S.r.l. includes an option (Put and Call) for the purchase of the remaining 40% minority stake, which may be exercised from the approval of the company's financial statements at 31 December 2025 until 30 June 2026. By virtue of the Put and Call option, consolidation does not entail the recognition of minority interests.
(2) The acquisitions of Skillmax S.r.l. and Total Solution Interiors S.r.l. provide for Put and Call options on the remaining 40% and 20% respectively, which are exercisable as of May 2024 (up until April 2025) and 2022 (up until the end of 2024) respectively. Minority interests are not recognized in the consolidated income statement in light of the Put and Call options in place.
(3) The acquisition of Budri S.r.l. includes an option right between the parties (Put and Call option) for the purchase of the minority interest for the remaining 35%. This option can be exercised: (i) in relation to 15% from the approval of the company’s financial statements for the year ending 31 December 2025; (ii) in relation to the additional 20% from the approval of the company’s financial statements for the year ending 31 December 2027. Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place.
(4) 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC, 49.63% is the related indirect ownership of Somec S.p.A. as at 31.12.2022.
(5) The acquisition of Lamp Arredo S.r.l. includes an option right between the parties (Put and Call option) for the purchase of the minority interest for the remaining 40%. This option can be exercised: (i) in relation to 20% from the approval of the company’s financial statements for the year ending 31 December 2024; (ii) in relation to the additional 20% from the approval of the company’s financial statements for the year ending 31 December 2026. Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place.

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), New York (USA), Houston (USA), Connecticut (USA), Delaware (USA), Montréal (Canada), Piestany (Slovakia), Bucharest (Romania), Londra (UK), Lugano (Switzerland), Santa Lucia di Piave (TV), Codognè (TV), San Vito al Tagliamento (PN), Cantù (CO), Aprilia (LT), San Biagio di Callalta (TV), Vazzola (TV), Colle Umberto (TV), Quinto di Treviso (TV) and Mirandola (MO).

ITALY
- SOMEC GRUPPO HQ
- SOMEC NAVALE
- BLUESTEEL
- BUDRI
- FABBRICA WORKS
- GICO
- HYSEA
- INOXTREND
- LAMP ARREDO
- MESTIERI
- OXIN
- PIZZA GROUP
- PRIMAX
- SKILLMAX
- SKILLBUILD
- SOMEC SINTESI
- SQUADRA
- TSI
- SOTRADE BRANCH

NORWAY
- SOMEC BRANCH
- OXIN BRANCH

FINLAND
- SOMEC BRANCH
- SOTRADE BRANCH

SLOVAKIA
- SOTRADE

ROMANIA
- SOMEC BRANCH
- OXIN BRANCH

CHINA
- SOMEC SHANGHAI

SIGNIFICANT EVENTS

DURING THE YEAR END 2022

Agreement to raise the controlling interest in Fabbrica LLC
On 3 January 2022 Somec S.p.A., through its direct US subsidiary 3.0 Partners USA Inc., signed an agreement for the acquisition of an additional 20% stake in its US subsidiary Fabbrica LLC from minority shareholder 2.0 Partners LLC. The transaction was completed on 14 April 2022, with Somec S.p.A. raising its indirect controlling interest from 50.9% to 70.9%.

Completion of the Bluesteel S.r.l. 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 systems engineered for building facades and windows. The purchase continues the Group's strategy of consolidating its position in the segment "Systems engineered for naval architecture and building facades". 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 US and European markets.

Early acquisition of remaining 20% of GICO S.p.A.
On 16 December 2021 Somec S.p.A. signed an agreement for the early purchase of the remaining 20% of GICO S.p.A.'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 S.r.l.
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 aim is to roll out turnkey projects for quality interiors, in order to expand the Parent Company's business and strengthen the division devoted to the design and creation of high-end interiors.

Establishment of Pizza Group USA LLC
On 22 March 2022 Pizza Group USA LLC was founded as a means for strengthening the US presence of Pizza Group S.r.l., a company based in San Vito al Tagliamento (PN) focusing on the design, production and sale of machinery, ovens and equipment for pizzerias. This company was acquired by Somec in 2020, and has grown significantly since then.

Medium/long-term loan taken out with a pool of banks
On 31 March 2022 Somec S.p.A. took out a medium/long-term loan for the maximum overall amount of 60 million Euro (principal) with a pool made up of three leading Italian banks. The loan, having a maximum duration of 78 months, consists of three credit lines, of which: (a) one credit line of up to 30 million Euro, to support internationalization projects, partially backed by an autonomous, first demand guarantee from SACE S.p.A.; (b) one credit line of up to 20 million Euro to refinance existing medium-long-term bank debt and, for any credit left over, to replenish company liquidity; and (c) one credit line of up to 10 million Euro, available to support possible Group growth through acquisitions. At 31 December 2022, one of the three loan facilities was not fully utilised.

Establishment of Mestieri USA Inc.

On 13 April 2022 the company Mestieri USA Inc. was established to expand the business of designing and creating high-end interiors in the United States, following the establishment in Italy of Mestieri S.r.l. This company was founded with the aim of rolling out turnkey projects for quality interiors, aimed at high-flying sectors such as high-end residential, retail and luxury hospitality, in both the civil and shipbuilding segments, making use of and preserving Made in Italy craftsmanship, which has always been highly appreciated overseas.

Resolutions of the Shareholders' Meeting

The Shareholders' Meeting of Somec S.p.A. met on 29 April 2022 to: (i) approve the financial statements for the year ended 31 December 2021; (ii) approve the proposal to distribute a gross dividend of 0.80 Euro per share with payment date as of 1 June 2022, allocating the amount of the residual profit for the year to a reserve; (iii) approve the first section of the Remuneration Policy for the year 2022; (iv) authorise the Board of Directors, subject to revocation of the previous authorisation, to purchase and hold treasury shares up to 5% of the share capital and for a maximum period of eighteen months.

New treasury share purchase program

On 12 April 2022 Somec S.p.A. initiated a new program to purchase treasury shares further to the resolution approved by the Shareholders' Meeting on 29 April 2021. This program 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 in 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 28 April 2022 this program ended, with the purchase of 4,562 treasury shares, corresponding to 0.07% of the share capital, for a total value of 131,000 Euro, at a weighted average price of 28.6338 Euro.

On 9 May 2022 Somec S.p.A. initiated another treasury share purchase program further to the resolution approved by the Shareholders' Meeting of 29 April 2022. On 16 June 2022 this program ended, with the purchase of 11,500 treasury shares, corresponding to 0.17% of the share capital, for a total value of 349,000 Euro, at a weighted average price of 30.3552 Euro.

As a result of the above transactions and considering the treasury shares already held in its portfolio, Somec treasury shares totalled 22,900, i.e. 0.33% of its share capital.

Acquisition of Budri S.r.l.

On 23 June 2022 Somec S.p.A. signed a draft agreement for the acquisition of the majority stake in Budri S.r.l., one of the world's leading companies in the marble-working sector. Over time Budri has acquired unparalleled experience internationally, rolling out major and complex custom marble projects for villas, residences, hotels, boutiques and other prestigious buildings, becoming a major player in the sector, with references worldwide. The transaction was completed on 20 July 2022 through the subsidiary Mestieri S.r.l.

On the closing date a provisional price of 7.5 million Euro was paid, including recognition of a majority premium of 10% on the equity value percentage. The provisional price will be reduced if certain objectives in terms of net financial position are not achieved at the closing date of the 2022 financial statements. The agreement also provides for an earn out to be paid when set EBITDA and net financial position targets are achieved, in each of the years in the period 2022-2025. The cumulative earn out amount may not exceed 3.5 million Euro in the period 2022-2023 and 3.25 million Euro in the period 2024-2025.

As regards the minority stake, there are Put and Call options that can be exercised in two separate time frames: for 15%, within 120 days of the approval of the 2025 financial statements for the Call option or in the following 120 days for the Put option; and for the remaining 20%, within 120 days of the approval of the 2027 financial statements for the financial year for the Call option or in the following 120 days for the Put option.

Budri S.r.l. was born out of GMB S.r.l. (formerly Budri S.p.A.) as a separate business line, as from 1 January 2022. In 2021 the transferred business posted a production value of 11.3 million Euro and an EBITDA of 1.3 million Euro. As at the date of the transfer, shareholders' equity amounted to 3 million Euro, and the net financial position was negative to the tune of 6.1 million Euro.

Call option exercised on 20% of the share capital of Total Solution Interiors S.r.l.

On 20 July 2022 Somec S.p.A. exercised the Call option on 20% of the share capital of Total Solution Interiors S.r.l. (TSI), previously held by minority shareholders, thus achieving control of 80% of the company, which rolls out bespoke interiors projects.

The acquisition agreement included a shareholder agreement governing the separate exercising of Put and Call options for the shares of minority shareholders at a price corresponding to 6 times the average EBITDA for the three-year period prior to the option being exercised, net of the net financial position at that time, to be exercised within ninety days of the approval of the 2021, 2022 or 2023 financial statements. The price paid to minority shareholders is not significant, based on the option parameters. Somec S.p.A. reserves the right to exercise the option of purchasing the remaining 20% of the share capital of Total Solution Interiors S.r.l. according to the terms of the aforementioned agreement.

Acquisition of Lamp Arredo S.r.l.

On 24 October 2022, Somec S.p.A. signed a binding preliminary agreement to acquire 60% of the share capital of Lamp Arredo S.r.l., a company specialising in the engineering and processing of metal furniture and ornamental elements.

The transaction was finalised on 28 October 2022, through subsidiary Mestieri S.r.l. The company joins the “Mestieri: design and production of bespoke interiors” business unit, strengthening its offering in the creation of high-end furniture and interiors for hotels, museums, shops and exclusive residences.

The provisional price paid for the acquisition of the 60% of Lamp Arredo’s share capital is 1.7 million Euro, calculated on the basis of the adjusted EBITDA for financial year 2021 with the application of a 5x multiple. This price was later adjusted due to the value of the net financial position calculated at closing, which stood at +0.2 million Euro. The total price paid was 1.9 million Euro.

The remaining 40% of the shares is linked to put and call option rights, which may be exercised at two separate times: 20% following the approval of the financial statements for the year ending 31 December 2024, and a further 20% following the approval of the financial statements for the year ending 31 December 2026. The put and call option exercise price will be based on the average normalised EBITDA of the two financial years prior to such exercise, to which a 5x multiple will be applied, net of the net financial position calculated at the option exercise date. The agreement also sets out a cap on the average normalised EBITDA figure, which may not exceed the normalised EBITDA as at 31 December 2021 increased by 10% for each calendar year between the date of closing and the option exercise date.

In financial year 2021, Lamp Arredo’s value of production totalled 6.3 million Euro, with EBIT and net profit standing at 0.4 million Euro. As at 31 December 2021, shareholders' equity amounted to 0.9 million Euro, while the net financial position stood at -0.9 million Euro.

ESG rating

In November 2022, Somec S.p.A. received from Sustainalytics, one of the world’s leading independent companies in the analysis of ESG factors (Environmental, Social and Governance), a rating on its ESG performance for 2021. This rating measures exposure to industry-specific material ESG risks and how effectively the company manages these risks.

Somec was awarded an ESG risk rating of 22.5, a two-point improvement compared to the 2021 rating of 24.5. This rating also allowed Somec to move up in the overall ranking of the companies being monitored, where it ranked 33rd out of 140, up ten places from 43rd place (out of 133 companies) in the previous year. As benchmarked against four other peers on a like-for-like basis in terms of market capitalisation, Somec scored the best ESG Risk Rating.

Preliminary agreement for the acquisition of Gino Ceolin S.r.l.

In December 2022 Somec S.p.A. signed a binding preliminary agreement for the acquisition of 60% of the share capital of Gino Ceolin S.r.l., a company specialising in the manufacture of customised metalwork for exteriors and interiors, particularly for the retail, hospitality and high-end residential sectors. With this transaction the company enters the Somec Group through subsidiary Mestieri S.r.l. to expand the Group’s offering of specialisations in Italian quality construction projects and thus strengthen its custom high-end interiors design and creation business unit.

In financial year 2021, Gino Ceolin’s value of production totalled 3.6 million Euro, with adjusted EBITDA standing at 0.3 million Euro. As at 31 December 2021, the net financial position was down 1.4 million Euro, while the net working capital was up 0.8 million Euro.

AFTER YEAR END 2022

Completion of Gino Ceolin S.r.l. acquisition

On 25 January 2023, Somec S.p.A. finalised, through its direct subsidiary Mestieri S.r.l., the acquisition of 60% of the share capital of Gino Ceolin S.r.l.

The provisional price paid was 1.3 million Euro, which will be subject to adjustment based on the achievement of certain targets calculated on the closing date of the financial statements for the year ended 31 December 2022. The remaining 40% of the capital is tied to Put and Call option rights that may be exercised within 90 days of the approval of the financial statements for the year ending 31 December 2026. The Put and Call option exercise price will be based on the average normalised EBITDA of the three financial years prior to such exercise, to which a 5x multiple will be applied, net of the net financial position calculated at the option exercise date.

A variable price component is also payable by way of earn out up to 0.3 million Euro, to be paid upon reaching certain parameters related to the value of production and normalised EBITDA in the 2023 and 2024 periods.

Appointment of an Investor Relation Manager

On 8 March 2023, Somec S.p.A. appointed an Investor Relation Manager who will be responsible for boosting Somec's knowledge and reputation with the financial community, helping the share price and trading volumes on the Milan Stock Exchange to become increasingly more significant.

ORDER BACKLOG

During 2022, the Group received over 250 million Euro of order intake, broken down as follows:

- 14 million Euro for the complete restyling of the cruise ship Azamara Onward by TSI S.r.l.
- over 8 million Euro for a new building of the International Finance Centre in Jersey (UK), awarded to Bluesteel S.r.l.
- approximately 18 million Euro for two ships for the Carnival group built by Meyer Werft, awarded to Somec S.p.A.
- approximately 13 million Euro for four ships for The Ritz Carlton built by Chantiers de l'Atlantique, awarded to Somec S.p.A.
- almost 51 million USD for two new buildings in Boston and Philadelphia (USA), awarded to Fabbrica LLC
- over 40 million USD for the construction of two residential towers in New York (USA), awarded to Fabbrica LLC
- over 73 million USD for the construction of commercial buildings in Massachusetts (USA), awarded to Fabbrica LLC
- 13.4 million Euro for exclusive projects in Madrid, the Principality of Monaco and Papenburg (Germany), awarded to Mestieri S.r.l. and TSI S.r.l.
- 20.5 million Euro for a NYK Cruises cruise ship under construction by Meyer Werft, awarded to Somec S.p.A. and Oxin S.r.l.

The Group's total backlog(1) reached a new record figure of 934 million Euro as at 31 December 2022 (921 million Euro as at 31 December 2021), of which 23% under option, covering the 2023-2031 time horizon. In terms of BUs: 666 million Euro pertained to Engineered Systems for Naval Architecture and Building Façades, 159 million Euro to Professional Kitchen Systems and Products and 109 million Euro to Mestieri: design and production of bespoke interiors.

The backlog is expected to be an increasingly less significant performance gauge in view of Somec's expansion into businesses that do not operate on a contract basis or that involve more fragmented work lasting less than twelve months.

(1) Total backlog as the sum of backlog and optional backlog, as indicated in the introduction to the Alternative Performance Measures.

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

TOTAL GROUP BACKLOG BY YEAR-PERIOD (MILLION EURO)			
31.12.2019	**31.12.2020**	**31.12.2021**	**31.12.2022**
638	767	921	934

The following chart shows the total Backlog (as at 31 December 2022) breakdown by scheduled delivery year.

TOTAL BACKLOG BREAKDOWN BY SCHEDULED YEAR (% OF TOTAL)								
2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
28.5%	29.2%	16.5%	12.0%	7.2%	3.3%	1.9%	1.3%	0.1%

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

TOTAL BACKLOG BREAKDOWN BY BUSINESS SEGMENT (%)			
Engineered systems for naval architecture and building façades	**Professional kitchen systems and products**	**Mestieri: design and production of bespoke interiors division**	**Total**
71.3%	17.0%	11.7%	100.0%

The following table summarizes the concentration of the backlog by cruise operator.

BACKLOG BY CRUISE OPERATOR (%)							
A	**B**	**C**	**D**	**E**	**Others ancillary**	**Backlog not related to shipowner**	**Total**
14.1%	11.3%	10.9%	8.8%	7.8%	7.2%	39.9%	100%

SOMEC GROUP OPERATING PERFORMANCE

RESULTS

Below is the reclassified consolidated income statement as at 31 December 2022 and 31 December 2021.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

	2022	%	2021	%	Δ%
Revenue from contracts with customers	325,616	99.0%	250,550	96.9%	30.0%
Other revenues and income	3,228	1.0%	7,930	3.1%	-59.3%
Total revenues	**328,844**	**100.0%**	**258,480**	**100.0%**	**27.2%**
Materials, services and other costs	(249,774)	-76.0%	(188,841)	-73.1%	32.3%
Personnel costs	(55,834)	-17.0%	(46,597)	-18.0%	19.8%
Operating costs	**(305,608)**	**-92.9%**	**(235,438)**	**-91.1%**	**29.8%**
EBITDA	**23,236**	**7.1%**	**23,042**	**8.9%**	**0.8%**
Depreciation and amortisation	(20,345)	-6.2%	(15,920)	-6.2%	27.8%
EBIT	**2,891**	**0.9%**	**7,122**	**2.8%**	**-59.4%**
Net financial income (expenses)	(2,041)	-0.6%	4,081	1.6%	-150.0%
Net results from associate companies	87	0.0%	82	0.0%	6.1%
EBT	**937**	**0.3%**	**11,285**	**4.4%**	**-91.7%**
Income taxes	(1,394)	-0.4%	(507)	-0.2%	175.0%
Consolidated Net Result	**(457)**	**-0.1%**	**10,778**	**4.2%**	**-104.2%**
Non-controlling interests	1,295	0.4%	2,332	0.9%	-44.5%
Group Net Result	**(1,752)**	**-0.5%**	**8,446**	**3.3%**	**-120.7%**

Amounts in €/000

The Group's **consolidated economic situation** at 31 December 2022 showed revenues of 328.8 million Euro, up 70.4 million Euro from 258.5 million Euro at 31 December 2021 (a rise of 27.2%, of which 3.1% relating to a favourable exchange rate effect).
The Group's organic growth totalled 17%, driven by new naval and civil orders, the strong recovery of refitting activities and the growth and evolution of the Mestieri project, in a generally upbeat post-Covid context despite the tensions arising from the conflict in Ukraine.
Acquisitions of Bluesteel S.r.l., Budri S.r.l. and Lamp Arredo S.r.l. - consolidated for twelve, six and two months respectively - brought in additional revenues to the extent of 26.5 million Euro.

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

TOTAL REVENUES BREAKDOWN BY GEOGRAPHIC AREA		
	2022	**2021**
Europe (including Italy)	53.8%	52.4%
North America	35.6%	40.0%
Rest of the World	10.6%	7.6%

Consolidated **EBITDA** amounts to 23.2 million Euro at 31 December 2022, stable compared to 23 million Euro at 31 December 2021, thus resulting in a decrease of the EBITDA margin to 7.1% (8.9% in 2021).
As expected, profitability improved to 8% in the second half of 2022, showing a significant recovery compared to 6% recorded in the first six months of the period under review, which were affected by the revision of the full-life margins of ongoing orders, which was driven by an increase in production costs, particularly raw materials and energy.
The improvement in performance in the second half of 2022 is attributable to the diversification strategy adopted by the Group in recent years, which has helped reduce the weight of contract-based business. Management actions also played a role as they mitigated the negative effects of the macroeconomic context, including the revision of pricing, a focus on high-margin activities (e.g. refitting) and the curbing of structural costs.

Personnel costs amounted to 55.8 million Euro at 31 December 2022, compared to 46.6 million Euro at 31 December 2021. This item was affected by: the costs related to the Parent Company's medium/long-term incentive scheme, amounting to 0.9 million Euro; a significant increase in the workforce at Fabbrica LLC; the effect of the acquisitions in the period, which led to an increase in headcount and, consequently, in the underlying cost item.

Depreciation, amortisation and write-downs amounted to 20.3 million Euro, up 4.4 million Euro from 15.9 million Euro in 2021.
This change was due, as far as depreciation and amortisation were concerned, to (i) an increase in tangible fixed assets, which increased from 14.1 million Euro at 31 December 2021 to 20.9 million Euro at 31 December 2022; (ii) an increase in intangible fixed assets, which, net of the new goodwill recognised in the current year as a result of new acquisitions, increased by 2.2 million Euro over 2021; (iii) costs for use of leased assets, which increased by 1.8 million Euro compared to the previous year.
Write-downs that occurred during the year, totalling 4.5 million Euro, referred to: (i) 2.7 million Euro due to significant provisions for doubtful receivables, in relation to specific amounts due by two foreign customers; (ii) 0.7 million Euro due the write-down of goodwill reflected in the consolidated financial statements of the Bluesteel CGU, following the findings of the impairment test; (iii) 1.1 million Euro due to additional provisions and write-downs.
It should be noted that the business combinations that took place during the year led to an increase in this item for a total amount of 0.9 million Euro.

Consolidated **EBIT** for the year stood at 2.9 million Euro, i.e. 0.9% of total revenues. The sharp decrease from the previous year (7.1 million Euro or 2.8% of revenues) is due to the reasons as explained earlier with reference to EBITDA, as well as to the higher incidence of depreciation and amortisation and impairment of accounts receivable described above.
Net of this latter extraordinary component, **adjusted EBIT** stood at 5.6 million Euro, or 1.7% of revenues.

The item **Financial income (expenses)** amounted to a negative 2 million Euro compared to a positive 4.1 million Euro in year 2021. 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.

The **consolidated net result** was a loss of 0.5 million Euro, compared to a profit of 10.8 million Euro in 2021, which had benefited from the above-mentioned non-recurring income. In addition to EBIT performance, the result was affected by financial expenses of 2 million Euro related to an increase in gross debt and an increase in income tax, which totalled 1.4 million Euro compared to 0.5 million Euro in 2021.

The **Adjusted Consolidated Net Result**, i.e., net of the effect of the above-mentioned extraordinary provisions for doubtful receivables and the related tax effect, came in positive and amounted to 1.6 million Euro, accounting for 0.5% of revenues.

Group Net Result stood at -1.8 million Euro, compared to 8.5 million Euro in 2021.

Non-controlling interests for the period was positive at 1.3 million Euro compared to 2.3 million Euro as at 31 December 2021.

TRENDS OF SINGLE DIVISIONS

Below is a summary of the key income statement figures for the three divisions as at 31 December 2022 and 31 December 2021.

31 DECEMBER 2022				
	Engineered systems for naval architecture and building façades	**Professional kitchen systems and products**	**Mestieri: design and production of bespoke interiors division**	**Total**
Total revenues	193,646	65,478	69,720	328,844
EBITDA	12,437	5,202	5,597	23,236
EBITDA margin	6.4%	7.9%	8.0%	7.1%
EBIT	877	1,747	267	2,891
EBIT margin	0.5%	2.7%	0.4%	0.9%

Amounts in €/000

31 DECEMBER 2021				
	Engineered systems for naval architecture and building façades	**Professional kitchen systems and products**	**Mestieri: design and production of bespoke interiors division**	**Total**
Total revenues	167,560	60,071	30,849	258,480
EBITDA	19,453	6,325	(2,736)	23,042
EBITDA margin	11.6%	10.5%	-8.9%	8.9%
EBIT	10,109	3,131	(6,118)	7,122
EBIT margin	6.0%	5.2%	-19.8%	2.8%

Amounts in €/000

Total revenues per business unit showed the following performances:

- The **Engineered Systems for Naval Architecture and Building Façades** BU posted revenues of 193.6 million Euro, up 15.5% from 167.6 million Euro in 2021, of which 11.9 million Euro related to the newly acquired Bluesteel S.r.l., thanks to which the Group aims to further develop the BU in the American and European markets. The naval segment benefited from the full resumption of new building and refitting activities following the pandemic, while the US civil glazing business covered by Fabbrica LLC continued its strong organic growth

- The **Professional kitchen systems and products** BU posted revenues of 65.5 million Euro, up 9% from 60.1 million Euro in financial year 2021, driven by Oxin's naval contracts and new pricing levels in the civil sector adopted in response to rising raw material costs

- The **Mestieri: design and production of bespoke interiors** BU posted a strong increase in revenues (+126.3%), standing at 69.7 million Euro. In addition to the recovery of TSI's business, driven by a major order of Azamara Cruises, growth was boosted by acquisitions (14.6 million Euro), which act as a mainstay of the strategy pursued by this BU

At a BU level, the coming on stream of the "Mestieri project" entirely offset the aforesaid impact on the EBITDA of the historical businesses. More specifically:

- The **Engineered Systems for Naval Architecture and Building Façades** BU reported EBITDA of 12.4 million Euro, down 7.1 million Euro over 2021 (-36.4%), with an EBITDA margin down to 6.4% from 11.6% in 2021, but up compared to the first half of 2022 (+4.9%).
  This trend was mainly driven by (i) a lower profitability of orders, particularly related to Bluesteel, as a result of an increase in production costs chiefly related to raw materials and energy, and the non-recurring contribution of 4.3 million Euro (Paycheck Protection Program) from which Fabbrica LLC had benefited in 2021, although the business of the US subsidiary drove the profitability of the entire BU in the year just ended

- The **Professional kitchen systems and products** BU reported EBITDA of 5.2 million Euro, down 1.1 million Euro over 2021 (-17.5%) and a margin of 7.9% (down -2.6% over 2021, but up 1.8% compared to the first half of 2022).
  This decrease, which was entirely generated in the first half of the year, was due to the rise in raw material prices, more specifically of steel and technical and electronic components, as well as the incurring of costs relating to promotional activities of subsidiary Pizza Group

- The **Mestieri: design and production of bespoke interiors** BU generated an EBITDA of 5.6 million Euro (or 8% of revenues), as compared to an operating loss of 2.7 million Euro in the previous year. The significant increase can be attributed to the recovery of refitting activities, which are characterised by higher margins than new construction, as well as the contribution of Budri S.r.l. and Lamp Arredo S.r.l., which will have an even more positive impact in 2023 as the two companies will be consolidated for the entire financial year

STATEMENT OF FINANCIAL POSITION

The following is the reclassified consolidated statement of financial position as at 31 December 2022 and 31 December 2021.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/12/2022	31/12/2021
Intangible assets	59,517	47,681
of which Goodwill	36,699	27,417
Tangible assets	20,893	14,135
Right-of-use assets	27,387	25,544
Investments in associates	351	213
Non-current financial assets	233	323
Other non-current assets and liabilities	(5,138)	(3,002)
Employee benefits	(5,130)	(4,256)
Net fixed assets	**98,113**	**80,638**
Trade receivables	84,152	75,860
Inventory and payments on account	26,213	13,756
Construction contracts and advance payments from customers	27,285	22,329
Liabilities for contract work in progress and customer advances	(43,215)	(35,224)
Trade payables	(79,324)	(53,427)
Provisions for risk and charges	(1,322)	(1,283)
Other current assets and liabilities	6,828	2,893
Net working capital	**20,617**	**24,904**
Net Invested capital	**118,730**	**105,542**
Group equity	(31,993)	(47,268)
Non-controlling interest in equity	(4,817)	(10,066)
Net financial position	(81,920)	(48,208)
Sources of funding	**(118,730)**	**(105,542)**

Amounts in €/000

Net fixed assets amounted to 98.1 million Euro as at 31 December 2022 compared to 80.6 million Euro as at 31 December 2021. This change was mainly due to the new acquisitions that took place during the period under review. Following the Purchase Price Allocation, they resulted in the recognition of intangible assets (know-how and order backlog) to the extent of 5.6 million Euro, goodwill booked for 8.9 million Euro, capital gains on tangible assets booked to the extent of 2.6 million Euro, in addition to increased right-of-use assets to the extent of 3.7 million Euro.

Net working capital stood at 20.6 million Euro, down by 4.3 million Euro on 24.9 million Euro as at 31 December 2021. The main changes related to: i) the increase in inventories due to the increase in material costs; ii) the increase in both contract work in progress and liabilities for contract work in progress due to the increase in production volumes and unit costs; iii) the increase in trade payables, related to the positive performance of core business.

Group shareholders' equity amounted to 32 million Euro as at 31 December 2022 compared to 47.3 million Euro as at 31 December 2021. The change, reflecting the performance during the period, is mainly attributable to implicit share premium paid in connection with the acquisition of an additional 20% of the share capital of Fabbrica LLC, resulting directly in a reduction in shareholders' equity and to the allocation of dividends.

NET FINANCIAL POSITION

Consolidated net financial position is composed as follows:

CONSOLIDATED NET FINANCIAL POSITION			
		31/12/2022	31/12/2021
A.	Cash and cash equivalents	71	142
B.	Bank deposits	54,273	47,503
C.	**Total liquidity (A+B)**	**54,344**	**47,645**
D.	**Current financial assets**	**4,608**	**389**
E.	Current bank debt	(27,756)	(17,393)
F.	Current portion of long-term debt	(14,881)	(13,612)
G.	Other current financial liabilities	(740)	(2,062)
H.	**Current financial position (E+F+G)**	**(43,377)**	**(33,067)**
I.	**Current net financial position (C+D+H)**	**15,575**	**14,967**
J.	Non-current financial assets	2,383	-
K.	Non-current bank debt	(61,094)	(34,936)
L.	Other non-current financial liabilities	(11,129)	(2,517)
M.	**Non-current financial position (J+K+L)**	**(69,840)**	**(37,453)**
N.	**Net financial position before IFRS 16 (I+M)**	**(54,265)**	**(22,486)**
O.	**IFRS 16 – Lease impact**	**(27,655)**	**(25,722)**
	Current portion	(4,757)	(3,917)
	Non-current portion	(22,898)	(21,805)
P.	**Net financial position (N+O IFRS 16 impact)**	**(81,920)**	**(48,208)**

Amounts in €/000

Net financial debt as defined under 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.

Group **Net Financial Position** as at 31 December 2022, including the effect of IFRS 16, stood at 81.9 million Euro, compared to 48.2 million Euro as at 31 December 2021.

The increase in the consolidated net financial position at 31 December 2022 compared to 31 December 2021 was mainly due to the acquisitions completed during the year, which involved 20% of the capital of Fabbrica LLC, 60% of Bluesteel S.r.l., 65% of Budri S.r.l. and 60% of Lamp Arredo S.r.l.
Overall – including the price of the equity interests acquired, the valuation of earn-out and put-and-call clauses, as well as the net debt of the companies that joined the consolidation scope – the increase in Net Financial Position related to acquisitions amounted to 36 million Euro. Dividend pay-outs totalling 8.5 million Euro were added to the above amount, of which 5.5 million Euro was paid out by the Parent Company and 3 million Euro was paid by Fabbrica LLC to its minority shareholders.

Group Net Financial Position, excluding the effects of the application of IFRS 16, stood at 54.3 million Euro as at 31 December 2022, up by 31.8 million Euro from 22.5 million Euro posted as at 31 December 2021.

Against these outlays, the Somec Group generated a largely positive cash flow from operations during the year, amounting to 14 million Euro (16.8 million Euro in 2021), in addition to resorting to the medium/long-term loan signed in March with a pool of three leading Italian banks.

The reclassified consolidated statement of cash flows as at 31 December 2022 and 31 December 2021 is shown below.

CASH FLOW STATEMENT	31/12/2022	31/12/2021
Cash flows from operating activities	13,967	16,819
Cash flows from investing activities	(13,681)	(5,032)
Free Cash Flow	**286**	**11,787**
Cash flows from financing activities	5,204	(7,627)
Effect of exchange rate changes on cash and cash equivalents	1,209	1,642
Net cash flow	**6,699**	**5,802**
Cash and cash equivalents at the beginning of the period	**47,645**	**41,843**
Cash and cash equivalents at the end of the period	**54,344**	**47,645**

Amounts in €/000

Operating cash flow, amounting to 14 million Euro, down 2.8 million Euro compared to the prior period 2021, mainly due to the recovery of refitting activities.

Cash outflow for **investment activities** totalled 13.7 million Euro and pertained chiefly to acquisition activities during the year.

Cash flow for **financing activities** of 5.2 million Euro mainly refers to the new medium/long-term bank loan taken out with a pool of banks, net of dividend payments and cash used for the acquisition of minority shares in Fabbrica LLC, and acquisition of Bluesteel S.r.l., Budri S.r.l. and Lamp Arredo S.r.l.

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 2021.

RECLASSIFIED INCOME STATEMENT

	2022	%	2021	%	Δ%
Revenues from contracts with customers	81,918	96.3%	74,686	97.9%	9.7%
Other revenues and income	3,129	3.7%	1,619	2.1%	93.3%
Total Revenues	**85,047**	**100.0%**	**76,305**	**100.0%**	**11.5%**
Materials, services and other costs	(66,977)	-78.8%	(55,094)	-72.2%	21.6%
Personnel costs	(15,593)	-18.3%	(14,112)	-18.5%	10.5%
Operating costs	**(82,570)**	**-97.1%**	**(69,206)**	**-90.7%**	**19.3%**
EBITDA	**2,477**	**2.9%**	**7,099**	**9.3%**	**-65.1%**
Depreciation, amortisation and impairment	(2,703)	-3.2%	(2,984)	-3.9%	-9.4%
EBIT	**(226)**	**-0.3%**	**4,115**	**5.4%**	**-105.5%**
Net financial income (expenses)	(3,945)	-4.6%	(78)	-0.1%	4,957.7%
Income from associates	1,933	2.3%	3,727	4.9%	-48.1%
EBT	**(2,238)**	**-2.6%**	**7,764**	**10.2%**	**-128.8%**
Income taxes	(554)	-0.7%	(1,504)	-2.0%	-63.2%
Tax rate	-24.8%		18.4%		
Net Result	**(2,792)**	**-3.3%**	**6,260**	**8.2%**	**-144.6%**

Amounts in €/000

Total **revenues** of 85 million Euro in 2022 were 11.5% up on 2021, providing confirmation of the full recovery of business activity, in particular of refitting.

EBITDA stood at 2.5 million Euro, with an EBITDA margin of 2.9%, down 6.4% from the previous year's figures. In general, the year-on-year decrease can be attributed to an increase in production costs, with special reference to prices for the procurement of raw materials and energy costs. This inflationary trend led to a revision of the estimated whole-life costs of contracts and the resulting margins. Adding to this effect were higher labour costs (up 10.5% year-on-year) due to new hires and the effect of the costs of the medium/long-term incentive scheme, amounting to 0.9 million Euro in 2022 (0.3 million Euro in 2021).

Depreciation, amortisation and impairment, totalling 2.7 million Euro, decreased by 9.4% over the previous period, as the significant provisions for risks and charges booked in 2021 (0.8 million Euro) no longer applied.

EBIT (or Operating Profit) came in at -0.2 million Euro, compared to 4.1 million Euro in the previous period, such a decrease being due to the reasons as explained earlier with reference to EBITDA.

The balance of **financial income and expenses** was -3.9 million Euro in 2022 compared to -0.1 million Euro in 2021, and was affected by significant write-downs resulting from impairment tests on the value of equity investments, totalling 4.5 million Euro (1.5 million Euro in 2021), as well as increased interest expenses due to an increase in debt. However, this increase was mitigated by financial hedges in place on medium/long-term loans. These effects were offset by foreign exchange gains totalling 1.3 million Euro (0.9 million Euro in 2021).

The balance of the item related to **income and expenses from equity investments** decreased due to lower dividends received compared to 2021, which dividends were collected exclusively from subsidiary Navaltech to the extent of 1.9 million Euro.
Coming in at -2.8 million Euro, the net loss for 2022 showed a sharp drop from the previous year's figure (6.3 million Euro) due to the balance of financial income and expenses.

The **reclassified statement of financial position** as at 31 December 2022, compared with the statement of financial position as at 31 December 2021, is as follows:

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31/12/2022	31/12/2021
Intangible assets	100	46
Tangible assets	1,126	1,308
Right-of-use assets	9,860	10,919
Investments in subsidiaries and associates	40,404	40,609
Non-current financial assets	36,664	17,746
Other non-current assets and liabilities	(600)	569
Employee benefits	(364)	(443)
Net fixed assets	**87,190**	**70,754**
Trade receivables	24,342	18,078
Inventory and payments on account	8,950	4,084
Contract work in progress and advances	18,178	15,422
Liabilities for contract work in progress and customer advances	(4,205)	(1,828)
Trade payables	(30,063)	(22,168)
Provisions for risks and charges	(351)	(1,035)
Other current assets and liabilities	1,129	(641)
Net working capital	**17,980**	**11,912**
Net capital employed	**105,170**	**82,666**
Shareholders' equity	(30,513)	(35,868)
Net financial position	(74,657)	(46,798)
Sources of financing	**(105,170)**	**(82,666)**

Amounts in €/000

The significant increase in **net fixed assets** mainly reflects the financial outlay related to the direct acquisition of Bluesteel S.r.l., as well as the disbursement of loans to subsidiary 3.0 Partners USA Inc. for the acquisition of an additional 20% of Fabbrica LLC, as well as to Mestieri S.r.l. in connection with the acquisitions of Budri S.r.l. and Lamp Arredo S.r.l. that took place in 2022.

Net working capital increased by 6.1 million Euro, mainly due to inventories, which increased by 4.9 million Euro as a result of inflationary pressure and refitting activities related to the first months of 2023. Changes in trade receivables and payables during the period offset each other, as did changes in assets and liabilities related to contract work in progress.

The decrease in **shareholders' equity** reflects the decision to distribute dividends in 2022, to the extent of 5.5 million Euro, and the negative contribution of the loss for the year.

Net financial position is composed as follows:

NET FINANCIAL POSITION

		31/12/2022	31/12/2021
A.	Cash	1	1
B.	Bank deposits	7,452	8,746
C.	**Total liquidity (A+B)**	**7,453**	**8,747**
D.	**Current financial assets**	**3,506**	**1,340**
E.	Current bank debt	(18,256)	(9,877)
F.	Current portion of long-term debt	(10,975)	(11,694)
G.	Other current financial liabilities	29	(1,565)
H.	**Current financial position (E+F+G)**	**(29,202)**	**(23,136)**
I.	**Current net financial position (C+D+H)**	**(18,243)**	**(13,049)**
J.	Non-current financial assets	2,000	-
K.	Non-current bank debt	(48,996)	(23,071)
L.	Other non-current financial liabilities	-	(164)
M.	**Non-current financial position (J+K+L)**	**(46,996)**	**(23,235)**
N.	**Net financial position before IFRS 16 (I+M)**	**(65,240)**	**(36,284)**
O.	**IFRS 16 – Lease impact**	**(9,417)**	**(10,514)**
	Current portion	(1,505)	(1,573)
	Non-current portion	(7,912)	(8,941)
P.	**Net financial position (N+O IFRS 16 effect)**	**(74,657)**	**(46,798)**

Amounts in €/000

Net financial position worsened by 27.8 million Euro compared to 31 December 2021, highlighting a higher exposure to the banking system due to the execution, in the first quarter of 2022, of a medium/long-term loan agreement with a pool of leading Italian banks, with a view to supporting internationalisation projects and refinancing existing medium/long-term bank debt.

The change in cash and cash equivalents between 31 December 2022 and 31 December 2021 is shown in the following table:

CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at 31/12/2021	**8,747**
Cash flows from operating activities (A)	(3,469)
Cash flows from investing activities (B)	(22,422)
Cash flows from financing activities (C)	24,597
Increase (decrease) in cash and cash equivalents (A+B+C)	**1,294**
Cash and cash equivalents at 31/12/2022	**7,453**

Amounts in €/000

OTHER INFORMATIONS

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.

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.
In 2022, the Parent Company obtained ISO 45001 safety certification, while subsidiary Gico S.p.A. obtained SASO (Saudi Arabian Standards Organisation) certification, a symbol of the conformity of goods to the country's standards and safety regulations.

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 continued 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 2022, the Group's headcount amounts to 927 employees including members of the project management, marketing and sales teams (around 14%), general office staff (roughly 16%), research and development, engineering (approximately 13%) and manufacturing (about 57%) personnel. The average headcount, compared to the figure posted at 31 December 2021, grew by 155 people (i.e. 20%), mainly due to acquisitions during 2022.

OWNERSHIP OF THE COMPANY

As at 31 December 2022, 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 (81.3%), Giancarlo Corazza (8.7%) 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 0.39%, 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 22,900 treasury shares, 0.33% of the share capital, following the treasury share purchase programme launched at the end of 2021 continued during 2022. The remaining 24.28% is float, accounting for 1,675,065 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 2022 and income and expenses from related party transactions in the year 2022, please see the relevant section of the notes to the financial statements.

TREASURY SHARES

Somec S.p.A. initiated a programme to purchase treasury shares based on the resolution approved by the Shareholders' Meeting of 29 April 2021 and 29 April 2022. 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; (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.
As part of these schemes and net of the allocations made to service the incentive scheme, at 31 December 2022 Somec S.p.A. held a total of 22,900 treasury shares, i.e. 0.33% of its share capital, worth 727,000 Euro.

PERFORMANCE OF SOMEC SHARES LISTED ON THE BORSA ITALIANA S.P.A. STOCK EXCHANGE (EURONEXT MILAN MARKET - EXM)

Key figures	
Share Capital	Euro 6,900,000.00
Ordinary shares issued	6,900,000
Treasury shares	22,900
ISIN	IT0005329815
Market	Euronext Milan
Ticker	EXM: SOM
Bloomberg	SOM:IM
Minimum lot	1
Specialist	Intermonte SIM S.p.A.

Performance	2022	2021
Price at year end (Euro)	32.5	37.7
Market capitalization (Euro)	224,250,000	260,130,000
Annual performance	-13.8%	+111.2%
Dividend paid	0.8	0.0
Absolute performance	-11.7%	+111.2%
Average daily price (Euro)	30.10	26.99
Average daily volumes	2,301	5,619
Average daily value (Euro)	69,180	151,650

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

RISKS RELATING TO THE WORLDWIDE GEOPOLITICAL SITUATION

During the course of 2022, geopolitical tensions in the world, fuelled by the Russian-Ukrainian conflict, brought about a complex and unpredictable situation, characterised by galloping inflation and speculative dynamics. This had a significant impact on energy and raw material prices, as well as on the reliability of supplies. For the first time, resource availability was at risk, making any planning and optimisation of the production chain difficult. This in turn had an impact on costs and efficiency. Such a dramatic scenario comes on top of a difficult situation brought about by the pandemic, increasing volatility and systemic tension. 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 a streamlined organisational structure and abundant order backlog, which proves undoubtedly beneficial in terms of potential planning.

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 shipbuilding segment, 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 this sector no operator accounts for more than 14.1% 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 civil segment in which the Engineered Systems for Naval Architecture and Building Façades BU operates, 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.

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 a transition to business management with a lower environmental impact, trying to reduce the generation of greenhouse gas emissions. An integral part of this path is the determination of the transition risks (including the increase in energy costs) and physical risks that could have an impact on company 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 processes and the product sold 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 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 committed to integrating sustainability issues in its business plan and incentive tools, monitoring relevant elements through "what-if" analyses.

FINANCIAL RISKS

The Group is exposed to financial risks, where the main risk, following the significant growth in the business of the US subsidiaries is the risk of currency-based transactions. With regard to financial debt, interest rate fluctuations also pose a risk, partly due to the current upward trend in interest rates, while liquidity risk is very low. 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. Although the Group is not particularly exposed to the risk of its customers delaying or defaulting on their payment obligations depending on the type of contract entered into or trade practices, we cannot rule out the possibility that the current geopolitical crisis may indirectly have an impact on its customer portfolio due to inflationary trends or unreliability of supplies. 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

At the time of drafting this document, the conflict between Russia and Ukraine portrays a backdrop still filled with volatility and unpredictability. The geopolitical situation, on the other hand, is still considered to act as a major impediment to the recovery of the world economy as a whole, and the consequences from an inflation and supply reliability perspective remain unfathomable at present.

RECONCILIATION OF RESULT AND SHAREHOLDERS' EQUITY

OF THE GROUP PARENT WITH THE CONSOLIDATED FIGURES

The reconciliation between the shareholders' equity and the result for the year of the Parent Company Somec S.p.A. and the consolidated shareholders' equity and result for the year are shown below:

RECONCILIATION OF RESULT AND SHAREHOLDERS' EQUITY	Net equity 31.12.2022	Profit/(loss) for the year 2022	Net equity 31.12.2021	Profit/(loss) for the year 2021
Group Parent equity and profit/(loss)	**30,513**	**(2,791)**	**35,868**	**6,260**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	(17,884)	7,035	(17,055)	3,737
Consolidation adjustments for:				
- difference between purchase price and corresponding book equity	*18,509*	*(4,266)*	*27,587*	*2,315*
- dividends from consolidated companies	-	*(1,933)*	-	*(3,765)*
- translation differences	*466*	-	*753*	-
Other adjustments	389	203	115	(101)
Group net equity and profit/(loss)	**31,993**	**(1,752)**	**47,268**	**8,446**
Non-controlling interests	4,817	1,295	10,066	2,332
Total net equity and profit/(loss)	**36,810**	**(457)**	**57,334**	**10,778**

Amounts in €/000

BUSINESS OUTLOOK

The first months of 2023 were characterised by the continuing conflict in Ukraine and the resulting international geopolitical tensions, the central banks' restrictive approach to monetary policy, and – lastly – the instability caused by defaults in the banking sector that have followed suite since March.
Despite this highly uncertain macroeconomic backdrop, Somec's Management expects a growth-driven 2023 financial year, underpinned by the (i) good prospects of the sectors in which the Group operates, (ii) solid order backlog, (iii) slow but steady decrease in raw material prices, and (iv) management action geared towards recovering profitability. More specifically:

- → The **Engineered Systems for Naval Architecture and Building Façades** BU will focus on the productivity, i.e. profitability, of existing and portfolio orders. It will also focus on naval refitting orders – including both new orders and orders that were already part of a contract as at the end of 2022 – as a value generation lever, as well as on the renegotiation of the soft backlog, the positive effects of which will however show in the medium term
- → The **Professional Kitchen Systems and Products** BU's profitability will normalise also following a revision of price lists
- → The **Mestieri: design and production of bespoke interiors** BU will benefit from a 12-month consolidation of all the companies acquired, including Gino Ceolin from January, as well as from the commercial synergies that are the driving force and the rationale behind the project

In the light of the foregoing, and for the first time ever, to signify its consideration for and commitment to investors, Somec's Management hereby discloses its earnings and financial forecasts (i.e. guidance) for the current year, expecting in detail:

- → **revenues of no less than 360 million Euro,** with the Mestieri BU nearing 100 million Euro in turnover just two years after the launch of the project
- → **EBITDA to come in at no less than 30 million Euro**, anticipating an operating result in terms of EBITDA margin in excess of 8%
- → **a Net Financial Position ex-IFRS16 of less than 40 million Euro**
- → a return to **dividend payout** from the profits of financial year 2023

The expected growth as outlined in the above guidance, which, however, is based on general prudence criteria, rests on the solid backlog in place and on the strategic choices adopted by Somec as early as 2021, including diversification and reorganisation of its business into the three new business units, a drive for acquisitions and a stronger focus on costs. In terms of growth through acquisitions, alongside the consolidation of the newly acquired companies, efforts will continue in 2023 in order to monitor potential target companies, particularly for the benefit of Mestieri BU, as they are expected to bring in new business as early as financial year 2024. This will take place as part of a disciplined leverage management that has always characterised Somec and its expansion strategy.

APPROVAL OF THE FINANCIAL STATEMENTS AND PROPOSAL FOR THE ALLOCATION OF THE RESULT FOR THE YEAR

The Board of Directors resolved to submit to the Shareholders' Meeting that the loss for the year recorded by Somec S.p.A., amounting to 2,791,479 Euro, be carried forward.

It should also be noted that the Company will make reliance on the longer deadline of 180 days pursuant to Article 2364(2) of the Italian Civil Code for the approval of the annual financial statements, both in consideration of the fact that it is required to prepare the Group's consolidated financial statements, and in the light of the renewal of the Board of Directors and the Board of Statutory Auditors.

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31/12/2022	31/12/2021
Non-current assets			
Property, plant and equipment	1	20,893	14,135
Intangible assets	2	59,517	47,681
Right-of-use assets	4	27,387	25,544
Investments in associates	5	351	213
Non-current financial assets	6	2,616	323
Deferred tax assets	7	4,024	3,788
Total non-current assets		**114,788**	**91,684**
Current assets			
Inventory and contract assets	8	53,498	36,085
Trade receivables	9	84,152	75,860
Other receivables	10	18,417	10,224
Tax receivables	11	4,166	4,272
Other current financial assets	12	4,608	389
Cash and cash equivalents	13	54,344	47,645
Total current assets		**219,185**	**174,475**
Total Assets		**333,973**	**266,159**

Amounts in €/000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31/12/2022	31/12/2021
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	5,540	20,815
Total Group net equity		**31,993**	**47,268**
Non-controlling interests	14	4,817	10,066
Total net equity		**36,810**	**57,334**
Non-current liabilities			
Loans and financing	15	61,094	34,936
Other non-current financial liabilities	16	34,026	24,322
Other non-current liabilities		669	-
Provisions for liabilities and charges	17	1,322	1,283
Net defined-benefit obligations	18	5,130	4,256
Deferred tax liabilities	7	8,493	6,790
Total non-current liabilities		**110,734**	**71,587**
Current liabilities			
Trade payables	19	79,324	53,427
Other current liabilities	20	13,084	9,653
Contract work in progress and customer advances	21	43,215	35,224
Loans and financing	15	42,638	31,005
Other current financial liabilities	16	5,497	5,979
Income tax liabilities	22	2,671	1,950
Total current liabilities		**186,429**	**137,238**
Total liabilities		**297,163**	**208,825**
Total Liabilities and Shareholders' Equity		**333,973**	**266,159**

Amounts in €/000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	2022	2021
Revenues from contracts with customers	23	325,616	250,550
Other revenues and income	24	3,228	7,930
Revenues		**328,844**	**258,480**
Raw materials and consumables		(146,009)	(106,062)
Employee benefit expenses	25	(55,834)	(46,597)
Depreciation, amortisation and other write-downs	26	(20,345)	(15,920)
Other operating costs	27	(103,765)	(82,779)
Operating profit (EBIT)		**2,891**	**7,122**
Financial expenses	28	(3,288)	(1,608)
Financial income	28	790	5,486
Other income (and expenses)	29	457	203
Income from associates	30	87	82
Profit/(loss) before tax (EBT)		**937**	**11,285**
Income taxes	31	(1,394)	(507)
Profit/(loss) for the period		**(457)**	**10,778**
Non-controlling interests	14	1,295	2,332
Group net result	**14**	**(1,752)**	**8,446**
Earnings per share (in Euro)	32	(0.25)	1.23
Diluted earnings per share (in Euro)	32	(0.25)	1.23

Amounts in €/000

	Note	2022	2021
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	929	2,006
Net gains/(losses) on cash flow hedges	14	3,061	271
Total other comprehensive income/(losses) that may be subsequently reclassified within profit/(loss), net of tax	**14**	**3,990**	**2,277**
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	442	(39)
Total other consolidated comprehensive income that will not be reclassified to net income/(losses), net of tax	**14**	**442**	**(39)**
Total other comprehensive income/(losses), net of tax	**14**	**4,432**	**2,238**
Total income/(loss) net of tax		**3,975**	**13,016**
Attributable to:			
Equity holders of the Parent		**2,190**	**9,436**
Non-controlling interests		**1,785**	**3,580**

Amounts in €/000

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	31/12/2022	31/12/2021
Result for the period		(457)	10,778
Reconciliation of net income to operating cash flow:			
Income taxes	31	1,394	507
Depreciation and amortisation	26	15,864	14,287
Government grant	24	-	(3,068)
Change in defined benefit obligations	14-18	(183)	(163)
Change in Put and Call option liabilities	28	(590)	(5,168)
Write-downs for impairment	3-26	719	-
Finance costs	28	3,263	1,599
Finance income	28	(176)	(309)
Net exchange rate changes		(1,220)	(211)
Income/(loss) for the period from associates	5-30	(87)	(82)
(Capital gains)/Capital losses on sale of assets		(28)	12
Net change in provisions for risks and charges	17	812	813
Costs for share-based payments	14-25	542	297
Change in operating assets and liabilities:			
Decrease/(Increase) in inventory and contract assets	8	(13,175)	(128)
Increase/(Decrease) in contract work in progress and customer advances	21	4,121	1,238
Decrease/(Increase) in trade receivables	9	(5,014)	(10,340)
Decrease/(Increase) in other receivables	10	(5,858)	(1,257)
Increase/(Decrease) in trade payables	19	19,757	9,487
Decrease/(Increase) in other current assets and liabilities		(586)	5,000
Income tax payments		(2,030)	(4,133)
(Use of provisions)	17	(821)	-
Interest received/(paid)		(2,280)	(2,340)
Cash flows from operating activities (A)		**13,967**	**16,819**

Amounts in €/000

	Note	31/12/2022	31/12/2021
Investing activities:			
Investments in property, plant and equipment		(1,050)	(1,157)
Investments in intangible assets		(1,905)	(1,323)
Investments in associates	5	(51)	63
Change in current and non-current financial assets	6-12	-	(99)
Realisable price of property, plant and equipment		52	47
Settlement of payment for equity investments	16	(1,663)	(2,563)
Settlement of price adjustment on business combination	16	(400)	-
Acquisition of subsidiaries net of cash acquired		(8,664)	-
Cash flows from investing activities (B)		**(13,681)**	**(5,032)**

	Note	31/12/2022	31/12/2021
Financing activity:			
Loans and financing granted	15	52,300	11,900
(Repayments)	15	(29,406)	(19,875)
Lease liability payments	16	(5,211)	(4,539)
Increase/(Decrease) in short term bank loans	15	10,364	5,945
Treasury share purchase reserve	14	(128)	(599)
Dividends paid to Parent Company shareholders	14	(5,507)	-
Dividends paid to minority shareholders	14	(2,959)	(374)
Acquisition of minority shareholdings	14	(14,249)	(85)
Cash flows from financing activities (C)		**5,204**	**(7,627)**
Increase (decrease) in cash and cash equivalents (A+B+C)		**5,490**	**4,160**
Cash and cash equivalents at the beginning of the period	**13**	**47,645**	**41,843**
Net effect of exchange differences		1,209	1,642
Cash and cash equivalents at the end of the period	**13**	**54,344**	**47,645**

Amounts in €/000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2022	Note	Share Capital	Share premium reserve	Legal reserve	Other reserves and retained earnings/(loss)	Net income/ (loss) for the period	Group net equity	Minority interest capital and reserves	Minority net income/ (loss)	Minority interest	Total net equity
01/01/2022		**6,900**	**18,173**	**1,380**	**12,369**	**8,446**	**47,268**	**7,734**	**2,332**	**10,066**	**57,334**
2021 profit allocation:											
• *other reserves*					8,446	(8,446)		2,332	(2,332)		
• *dividends*					(5,507)		(5,507)	(2,959)		(2,959)	(8,466)
Treasury share purchase reserve	14				(128)		(128)				(128)
Reserve for share-based payments	14				542		542				542
Acquisition of minority interests					(12,375)		(12,375)	(4,075)		(4,075)	(16,451)
Other changes					34		34				34
Other comprehensive income (OCI)	**14**										
• *Defined benefit plans*					415		415	27		27	442
• *Change in currency translation reserve*					466		466	463		463	929
• *Change in cash flow hedge reserve*					3,030		3,030				3,030
Net income/(loss) for the period						(1,752)	(1,752)		1,295	1,295	(457)
31/12/2022		**6,900**	**18,173**	**1,380**	**7,292**	**(1,752)**	**31,993**	**3,522**	**1,295**	**4,817**	**36,810**

Amounts in €/000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2021

	Note	Share Capital	Share premium reserve	Legal reserve	Other reserves and retained earnings/(loss)	Net income/ (loss) for the period	Group net equity	Minority interest capital and reserves	Minority net income/ (loss)	Minority interest	Total net equity
01/01/2021		**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 interest					–		–	(99)		(99)	(99)
Change in scope of consolidation					(184)		(184)	78		78	(106)
Other changes					(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 cash flow hedge 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**

Amounts in €/000

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

GENERAL INFORMATION

Publication of the Consolidated Financial Report of Somec S.p.A. and its subsidiaries ("Somec Group") for the period ended 31 December 2022, prepared using the ESEF (European Single Electronic Format), has been authorised by the Board of Directors, which approved the financial statements on 22 March 2023.

The Somec Group specialises in the engineering, design and deployment of complex turnkey projects in civil and naval engineering. As explained in greater detail in the Directors' Report, the Group operates through three business units (BUs): Engineered Systems for Naval Architecture and Building Façades, Professional Kitchen Systems and Products, and Design and Production of Bespoke Interiors.

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. Stock Exchange (Euronext Milan Market - EXM) on 4 August 2020.

BASIS OF PREPARATION

The consolidated financial statements as at 31 December 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), endorsed by the European Commission and applicable at the reporting date.

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

For the purpose of comparison, the consolidated financial statements also include the statement of financial position as at 31 December 2021 and consolidated income statement figures for 2021.

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 2022 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 2022, 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
Bluesteel S.r.l.	Colle Umberto (TV)	60% (1)	Euro	650,000
GICO S.p.A.	Vazzola (TV)	100%	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
Mestieri S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
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)	80% (2)	Euro	100,000
Indirectly-owned subsidiaries				*(currency unit)*
Atelier de Façades Montréal Inc.	Montréal (Canada)	70.90%	CAD	100
Bluesteel Group UK Ltd	Londra (UK)	60% (1)	GBP	100
Bluesteel Group USA Inc.	New York (USA)	60% (1)	USD	10,000
Budri S.r.l.	Mirandola (MO)	65% (3)	Euro	3,000,000
Budri London Ltd	Londra (UK)	65% (3)	GBP	10,000
Budri Switzerland SA	Lugano (CH)	65% (3)	CHF	100,000
Fabbrica LLC	Delaware (USA)	70.90%	USD	6,250,000
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	49.63% (4)	Euro	100,000
Lamp Arredo S.r.l.	Quinto di Treviso	60% (5)	Euro	100,000
Mestieri USA Inc.	Delaware (USA)	60%	USD	10,000
Pizza Group USA LLC	Houston (USA)	100%	USD	10,000
Skillbuild S.r.l.	San Biagio di Callalta (TV)	60% (2)	Euro	20,000
Total Solution Interiors LLC	Miami (USA)	80% (2)	USD	293,034

On 13 January 2022 Somec S.p.A. completed the acquisition of 60% of the share capital of Bluesteel S.r.l., which thus enters the scope of consolidation together with the companies Bluesteel Group UK Ltd and Bluesteel Group USA Inc., which are 100% directly controlled. The companies were fully consolidated over the entire yearly period.

On 15 February 2022 the Call option for the 20% stake in GICO S.p.A. was exercised in advance. As of 31 December 2022, the Parent Company therefore holds 100% of the share capital of GICO S.p.A.

On 19 April 2022 the indirect controlling interest in the US company Fabbrica LLC was increased, through the company 3.0 Partners USA Inc., from 50.9% to 70.9% of the share capital.

In the first half of 2022 Mestieri S.r.l. was also established, 100% controlled by Parent Company Somec S.p.A. and, to expand the business centering on the design and creation of high-end interiors in the US market, Mestieri USA Inc. was also founded, 60% controlled by Mestieri S.r.l. and 40% by other minority shareholders.

In April 2022 the subsidiary Pizza Group S.r.l. established Pizza Group USA LLC, to strengthen its presence in the US market.

On 20 July 2022, the acquisition of 65% of the share capital of Budri S.r.l. was finalised through subsidiary Mestieri S.r.l., which is part of the consolidation scope together with Budri London Ltd and Budri Switzerland SA, which are directly wholly owned subsidiaries. The companies were fully consolidated as of the second half of the year.

On the same date, Somec S.p.A. finalised the exercise of the Call option on 20% of the share capital of Total Solution Interiors S.r.l., previously held by some minority shareholders, thus reaching an equity interest of 80%.

Finally, on 28 October 2022, the acquisition of 60% of the share capital of Lamp Arredo S.r.l. was finalised through subsidiary Mestieri S.r.l. The company was fully consolidated as of the date of acquisition.

(1) The acquisition of Bluesteel S.r.l. includes an option (Put and Call) for the purchase of the remaining 40% minority stake, which may be exercised from the approval of the company's financial statements at 31 December 2025 until 30 June 2026. By virtue of the Put and Call option, consolidation does not entail the recognition of minority interests.
(2) The acquisitions of Skillmax S.r.l. and Total Solution Interiors S.r.l. provide for Put and Call options on the remaining 40% and 20% respectively, which are exercisable as of May 2024 (up until April 2025) and 2022 (up until the end of 2024) respectively. Minority interests are not recognized in the consolidated income statement in light of the Put and Call options in place.
(3) The acquisition of Budri S.r.l. includes an option right between the parties (Put and Call option) for the purchase of the minority interest for the remaining 35%. This option can be exercised: (i) in relation to 15% from the approval of the company's financial statements for the year ending 31 December 2025; (ii) in relation to the additional 20% from the approval of the company's financial statements for the year ending 31 December 2027. Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place.
(4) 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC, 49.63% is the related indirect ownership of Somec S.p.A. as at 31.12.2022.
(5) The acquisition of Lamp Arredo S.r.l. includes an option right between the parties (Put and Call option) for the purchase of the minority interest for the remaining 40%. This option can be exercised: (i) in relation to 20% from the approval of the company's financial statements for the year ending 31 December 2024; (ii) in relation to the additional 20% from the approval of the company's financial statements for the year ending 31 December 2026. Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place.

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., Bluesteel Group UK Ltd, Bluesteel Group USA Inc., Budri London Ltd, Budri Switzerland SA, Fabbrica LLC, Mestieri USA Inc., Navaltech LLC, Pizza Group USA LLC, Somec Shanghai Co. Ltd and Total Solution Interiors LLC are as follows:

Currency	31 December 2022		31 December 2021	
	Average	Final	Average	Final
Canadian Dollar	1.3695	1.4440	1.4826	1.4393
US Dollar	1.0530	1.0666	1.1827	1.1326
Swiss Franc	1.0047	0.9847	1.0812	1.0331
Chinese Renminbi	7.0788	7.3582	7.6282	7.1947
Pound Sterling	0.8528	0.8869	0.8596	0.8403

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
- 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
- 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/(loss) 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 result 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 and 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 5-15 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 - 15 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 or five year period. A long-term growth rate is calculated to forecast future cash flows beyond the third or fifth 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 and non-current derivative assets
- 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.

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

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.

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 IFRS2 – 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:

- the entity has a present legal or constructive obligation as a result of a past event
- it is probable that an outflow or economic benefits will be required to settle the obligation
- 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 five 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:

- revenues from contract work, with reference to the companies operating in the Group's three business units ("Engineered systems for naval architecture and building façades", "Professional kitchen systems and products" and "Mestieri: design and production of bespoke interiors division")

- revenues from the production and sale of products, i.e. revenues of some companies operating in the "Professional kitchen systems and products" 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 kitchen systems and products" goods 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 twelve 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
- 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 revenues and 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 in the relevant country 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 earnings per share is calculated by dividing the result attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share is calculated by dividing the result 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 cost of treasury shares held is presented under the item "Reserve for purchase of treasury shares". 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 2022. The Group has not adopted in advance any new standard, interpretation or amendment that has been issued but is not yet in force.

ONEROUS CONTRACTS – COSTS OF FULFILLING A CONTRACT – AMENDMENTS TO IAS 37

Onerous contract means a contract where the non-discretionary costs required to fulfil the obligations undertaken exceed the economic benefits that are assumed to be obtained under the contract. The amendment specifies that when establishing whether a contract is onerous or generates losses, an entity must consider costs directly related to the contract for the supply of goods or services that include both incremental costs and costs directly attributable to contract activities.
General and administrative costs do not relate directly to a contract and are excluded unless they can be explicitly charged to the counterparty under the contract.
These amendments had no impact on the Group's consolidated financial statements.

REFERENCE TO THE CONCEPTUAL FRAMEWORK – AMENDMENTS TO IFRS 3

These amendments are intended to replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 without a significant change to the requirements of the standard.
The amendment added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exemption requires entities to apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.
The amendment also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the acquisition date.
In accordance with the transition rules, the Group applies the amendment on a forward-looking basis, i.e. to business combinations occurring after the beginning of the financial year in which the amendment is first applied (date of first application).
These amendments had no impact on the Group's consolidated financial statements as no contingent assets, liabilities and contingent liabilities were recognised as part of business combination transactions.

PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16

Under these amendments, entities are not allowed to deduct from the cost of property, plant and equipment items any proceeds from the sale of products sold in the period when that asset is brought to the site or condition necessary for it to operate in the manner for which it was designed by management. An entity reflects revenues from the sale of such products, and the costs to produce those products, in the income statement.

In accordance with the transition rules, the Group applies the amendment retrospectively only for those property, plant and equipment items that came into operation after or at the beginning of the comparative year to the year in which the amendment is first applied (date of first application).
These amendments did not have an impact on the Group's consolidated financial statements as there were no sales related to such property, plant and equipment items before or after the beginning of the previous comparative period.

IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – SUBSIDIARY AS A FIRST-TIME ADOPTER

This amendment allows a subsidiary applying paragraph D16(a) of IFRS 1 to measure CDT using the amounts reported by the parent, based on the parent's date of transition to IFRSs (if no adjustments were made for the consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary). This amendment also applies to associated companies or joint ventures applying paragraph D16(a) of IFRS 1.
This amendment had no impact on the Group's consolidated financial statements as the Group is not a first time adopter.

IFRS 9 FINANCIAL INSTRUMENTS – FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

This amendment clarifies what fees an entity should include in establishing whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or the lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.
In accordance with the transition rules, the Group applies the amendment to financial liabilities that are modified or exchanged after the beginning of the financial year in which the amendment is first applied (date of first application).
This amendment had no impact on the Group's consolidated financial statements as there were no changes in the Group's financial liabilities during the year.

PRINCIPLES ISSUED BUT NOT YET IN FORCE

Below is an illustration of the standards and interpretations that, when the Group's consolidated financial statements are drafted, had already been issued but were not yet in force. The Group intends to adopt these standards and interpretations, if applicable, when they come into force.

AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In 2020 and 2022 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.

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 2024 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.

DEFERRED TAXES RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION - AMENDMENTS TO IAS 12

In May 2021, the IASB issued amendments to IAS 12, narrowing the scope of the initial recognition exception included in IAS 12, which is no longer to be applied to those transactions that give rise to equal taxable and deductible temporary differences.
The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the comparative period presented, deferred tax assets (if there is sufficient taxable income) and liabilities will be recognised for all taxable and deductible temporary differences associated with leases and restoration provisions.
The Group is currently assessing the impact of these amendments.

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.

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.

BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY SHAREHOLDINGS

BLUESTEEL S.R.L. ACQUISITION

On 13 January 2022 Somec S.p.A. completed the acquisition of 60% of the share capital of Bluesteel S.r.l.. The agreements bind the remaining 40% of shares to Put and Call option rights, which can be exercised from the approval of the financial statements of the acquired company at 31 December 2025 until 30 June 2026. Valuation parameters are linked to the average value of normalized EBITDA for the two years prior to the option being exercised, net of the net financial position at that time.
The consideration for acquisition consists of the payment of i) the price, 1.5 million Euro, ii) a capital contribution, made on the closing date, of 1 million Euro, iii) payment of the earn out component of 0.5 million Euro and iv) the current fair value of the Put and Call option for purchase of the remaining minority stake, calculated at 0.6 million Euro at the time of allocation of the acquisition price.

Price payment for 60%	1,500
Reserved capital increase	1,000
Earn-out payment	500
Put & Call option liabilities	587
Total consideration	**3,587**

Amounts in €/000

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

Non-current assets	**5,243**
Property, plant and equipment	1,026
Intangible assets	2,854
Right-of-use assets	1,187
Non-current financial assets	155
Deferred tax assets	21
Current assets	**3,751**
Inventory and contract assets	5
Trade receivables	1,913
Other receivables	911
Tax receivables	28
Cash and cash equivalents	894
Total assets	**8,994**

Amounts in €/000

Net equity	**1,076**
Share capital	1,000
Retained earnings	76
Non-current liabilities	**(3,385)**
Loans and financing	(692)
Other non-current financial liabilities	(1,053)
Other non-current liabilities	(767)
Provisions for liabilities and charges	(48)
Net defined-benefit obligations	(370)
Deferred tax liabilities	(455)
Current liabilities	**(5,164)**
Trade payables	(3,009)
Other current liabilities	(986)
Contract work in progress and customer advances	(504)
Loans and financing	(531)
Other current financial liabilities	(134)
Total liabilities	**(7,473)**
Total net assets at fair value	**1,521**
Goodwill on business combination	**2,066**
Acquisition price	**3,587**

Amounts in €/000

Net cash acquired by subsidiary	894
Consideration paid	(2,000)
Cash flow net of acquisition	**(1,106)**
Potential consideration	(587)
Total net consideration	**(1,693)**

Amounts in €/000

The Company's net assets measured at fair value on the acquisition date totalled 1,521 thousand Euro. At the time of the business combination, an unbooked intangible asset with a finite service life was identified, such asset consisting of know-how, i.e. the knowledge and skills required to roll out complex construction projects successfully. In identifying this value, equal to 1,632 thousand Euro, gross of the relative tax effect of 455 thousand Euro, the Directors adopted an income evaluation criterion based on the discounting back of royalties to be paid to the licensor for the specific technology (known as relief from royalty method). They then calculated a royalty rate taking into account the information obtained from company management. This was applied to forecast revenues given in the business plans and their projections, considering an appropriate maintenance cost. The flows obtained were discounted at an appropriate discount rate, also taking into account the tax benefit theoretically attributable to the depreciation of the asset (TAB). The time frame considered for the discounting of royalty flows was five years, considered to be the useful life of ascertained know-how.
The difference between the total consideration and the fair value of the identified net assets was recognised as goodwill amounting to 2,066 thousand Euro, which the Directors considered recoverable in view of the estimated cash flows expected from the investment.
It should be noted that at 31 December 2022, an impairment test was conducted on the Bluesteel CGU, which showed an impairment loss of 719 thousand Euro on the capital invested in the same CGU, entirely allocated to goodwill. Therefore, the value of goodwill at 31 December 2022 was 1,348 thousand Euro. For further details on assets with a finite and indefinite service life recognised at the time of acquisition, see Note 2 Intangible Assets and Note 3 Impairment Test.

It should be noted that the acquisition of control of Bluesteel S.r.l. was reflected in the accounts for the entire year 2022.
From the date of acquisition to 31 December 2022, Bluesteel's revenues totalled 11,880 thousand Euro, while the fair value of gross receivables at the date of acquisition stood at 2,064 thousand Euro.
The purchase price allocation for the business combination is final.
It should be highlighted that with a writ of summons dated 12 January 2023, Somec S.p.A. started proceedings against the selling party to establish its breach of the representations and warranties provided to the purchaser at the time of the acquisition, seeking compensation for all damages arising therefrom. The consolidated financial statements reflect the impacts of this event in identifying the lower fair value of work in progress at the acquisition date, while net assets weren't accounted for the requests formulated by the seller.

ACQUISITION OF MINORITY INTERESTS OF 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 its US subsidiary Fabbrica LLC from minority shareholder 2.0 Partners LLC. The transaction was completed on 14 April 2022, with Somec S.p.A. raising its indirect controlling interest from 50.9% to 70.9%. As a precondition of the transaction, the minority shareholder 2.0 Partners LLC sold 5% of its stake in Fabbrica LLC to a new company, whose shareholders are some of the current managers of Fabbrica, in support of a strategy aimed at retaining strategic managerial figures.
The purchase price for the equity interest consisted of a fixed component, paid at the time of closing, amounting to USD 15.5 million, and a variable component, consisting of a double earn out mechanism:

- the first, to be recognised for a maximum cumulative amount of USD 2.6 million, linked to EBIT values given in the business plan of Fabbrica LLC for each financial year between 2022 and 2025

- the second, to be recognised for a maximum total amount of USD 2.1 million, linked to the cumulative EBIT for the years 2022/2023 and 2024/2025, upon the achievement of given results, namely higher growth than that estimated in the business plan of Fabbrica LLC

Both earn outs will be paid, if due, within sixty working days of the approval of the financial statements of the subsidiary Fabbrica LLC.

Below is a summary of the consideration paid for the transaction. All indicated values represent the equivalent value in Euro of the corresponding amounts originally calculated in US dollars.

Fixed component payment	14,249
Due for earn out	2,244
Acquisition price	**16,493**

Amounts in €/000

It is noted that the amount due relating to the second earn out mechanism is not quantifiable at the closing date of these consolidated financial statements, as it is linked to "over performance" in respect of the business plan 2022-2025 of Fabbrica LLC, and therefore does not fall within the above acquisition price.
The difference between the amount by which the minority interest has been adjusted and the fair value of the price paid was fully recognised among retained earnings, resulting in a reduction in consolidated shareholders' equity, as they qualified as shareholder transactions in accordance with IFRS 10.

BUDRI S.R.L. ACQUISITION

On 20 July 2022, through the subsidiary Mestieri S.r.l., acquisition of the majority stake (65%) of the share capital of Budri S.r.l. was completed. The agreements tie the remaining 35% of the shares to Put and Call options, to be exercised at two separate times: for 15%, within 120 days of the approval of the 2025 financial statements for the Call option or in the following 120 days for the Put option; and for the remaining 20%, within 120 days of the approval of the 2027 financial statements for the financial year for the Call option or in the following 120 days for the Put option.
The agreed consideration for exercising the options is tied to EBITDA net of Net Financial Position, both to be calculated at the closing date of the relevant financial year, in 2025 and 2027, respectively, deducting – on a pro-rata basis – from the shares under option the 10% majority bonus recognised at the date of closing.
The consideration for the acquisition consists of (i) payment of the price of 7,490 thousand Euro, (ii) the value of the earn out (254 thousand Euro, linked to EBITDA and Net Financial Position figures set out in the business plan of Budri S.r.l. for each financial year between 2022 and 2025, and finally (iii) the fair value of the Put and Call option for the purchase of the remaining minority interest, established at 4,692 thousand Euro at the time the acquisition price was provisionally allocated.

Price payment for 65%	7,490
Due for earn out	254
Put & Call option liabilities	4,692
Total consideration	**12,436**

Amounts in €/000

At the date this report was prepared, the measurement of the fair value of the net assets acquired (aka Purchase Price Allocation) had not yet been completed by the Directors. However, albeit on a provisional basis, at the time of the business combination the following items were identified:

- an intangible asset with a finite service life not recognised in the financial statements, such asset consisting of know-how, i.e. the acquired company's ability to perform in the sector in which it operates, totalling 3,292 thousand Euro, gross of the related tax effect of 918 thousand Euro, in respect of which the Directors estimated a service life of five years

- the latent capital gain related to the land and building owned by the acquired company, totalling 2,696 thousand Euro, gross of the related tax effect (752 thousand Euro). This higher value attributable to land and buildings, compared to the net book value at the date of acquisition, was determined on the basis of an assessment performed by a leading independent expert

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

Total assets	20,870
Total liabilities	(14,037)
Total net assets at provisional fair value	**6,833**
Goodwill on business combination	**5,603**
Acquisition price	**12,436**

Amounts in €/000

Net cash acquired by subsidiary	532
Consideration paid	(7,490)
Cash flow net of acquisition	**(6,958)**
Potential consideration	(4,946)
Total net consideration	**(11,904)**

Amounts in €/000

The Company's net assets measured at provisional fair value on the acquisition date totalled of 6,833 thousand Euro. The difference between the total consideration and the provisional fair value of the identified net assets was recognised as goodwill to the extent of 5,603 thousand Euro, which the Directors considered recoverable in view of the estimated cash flows expected from the investment.
The acquisition of control of Budri S.r.l. was reflected in the accounts for the second half of 2022.
From the date of acquisition to 31 December 2022, Budri S.r.l.'s revenues totalled 13,091 thousand Euro, while the fair value of gross receivables at the date of acquisition stood at 2,753 thousand Euro. If the acquisition of Budri had taken place at the beginning of financial year 2022, the value of production for the entire year would have totalled 18,160 thousand Euro, while the result for the year would have amounted to 1,108 thousand Euro.

LAMP ARREDO S.R.L. ACQUISITION

On 28 October 2022, Somec S.p.A. finalised, through its direct subsidiary Mestieri S.r.l., the acquisition of 60% of the share capital of Lamp Arredo S.r.l. According to the agreement, the remaining 40% of the shares is linked to Put and Call option rights, which may be exercised at two separate times: 20% within 90 days of the approval of the financial statements for the year ending 31 December 2024 and a further 20% within 90 days of the approval of the financial statements for the year ending 31 December 2026. The value of the Put and Call option will be based on the average normalised EBITDA of the two financial years prior to such exercise, net of the Net Financial Position calculated at the option exercise date. The consideration for the acquisition consists of payment of the price of 1,731 thousand Euro, adjusted by an additional amount of 124 thousand Euro, established on the basis of the value of the net financial position at the date of closing, and by the fair value of the Put and Call option for the purchase of the remaining minority interests, established at 2,153 thousand Euro during the provisional allocation of the acquisition price.

Price payment for 60%	1,731
Additional payment	124
Put & Call option liabilities	2,153
Total consideration	**4,008**

Amounts in €/000

At the date this report was prepared, the measurement of the fair value of the net assets acquired (aka Purchase Price Allocation) had not yet been completed by the Directors. However, albeit on a provisional basis, at the time of the business combination the following items were identified:

- an intangible asset with a finite service life not recognised in the financial statements, such asset consisting of unpatented technology (or know-how), i.e. the acquired company's ability to perform in the sector in which it operates, totalling 1,332 thousand Euro, gross of the related tax effect of 327 thousand Euro, in respect of which the Directors estimated a service life of five years
- an intangible asset with a finite service life not recognised in the financial statements, such asset consisting of a backlog totalling 82 thousand Euro, gross of the related tax effect of 23 thousand Euro

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

Total assets	6,232
Total liabilities	(4,186)
Total net assets at provisional fair value	**2,046**
Goodwill on business combination	**1,962**
Acquisition price	**4,008**

Amounts in €/000

Net cash acquired by subsidiary	1,255
Consideration paid	(1,731)
Additional payment of consideration paid	(124)
Cash flow net of acquisition	**(600)**
Potential consideration	(2,153)
Total net consideration	**(2,753)**

Amounts in €/000

The Company's net assets measured at provisional fair value on the acquisition date totalled of 2,046 thousand Euro. The difference between the total consideration and the provisional fair value of the identified net assets was recognised as goodwill to the extent of 1,962 thousand Euro, which the Directors considered recoverable in view of the estimated cash flows expected from the investment.
The acquisition of control of Lamp Arredo S.r.l. was reflected in the accounts for the last two months of financial year 2022.
From the date of acquisition to 31 December 2022, Lamp Arredo S.r.l.'s revenues totalled 1,377 thousand Euro, while the fair value of gross receivables at the date of acquisition stood at 1,416 thousand Euro.
If the acquisition of Lamp Arredo had taken place at the beginning of financial year 2022, the value of production for the entire year would have totalled 7,590 thousand Euro, while the result for the year would have amounted to 242 thousand Euro.

OPERATING SEGMENT REPORTING

During financial year 2022, Somec Group changed the composition of its reportable segments compared to 31 December 2021 and previous years, with a view to providing a better view of the evolution, development and specificity of the construction projects managed by the Group's companies, in the business segments in which it operates.
For the purposes of application of IFRS 8, the Group decided to update the previous organisational structure based on the Seascape and Landscape segments, dedicated to the naval sphere and the civil sphere, respectively, by defining three new Business Units (BUs), consistent with the management and control model used to date, as shown below:

- **Engineered systems for naval architecture and building façades**: complete construction projects of naval enclosures and glazing and architectural solutions for large cruise ships, complete construction projects of curtain walls and glazed enclosures for civil engineering
- **Professional kitchen systems and products**: professional kitchen systems integrated with on-board facilities of cruise ships, large customised professional kitchen systems for catering and hospitality, monoblocs and customised cooking suites, professional products for vertical cooking and the cold chain
- **Mestieri: design and production of bespoke interiors** design and production of interiors for a whole range of sectors, including hospitality, catering, luxury retail, high-end residential property, cruise ships and superyachts

The aforementioned BUs were updated on the basis of the following considerations:

- they represent revenue- and cost-generating activities whose operating results are reviewed on a regular basis at the highest operational decision-making level, in order to assess the performance of each segment and allocate the relevant resources
- they are subject to internal reporting disclosure
- separate financial disclosures are available
- the BUs are entirely independent of each other

Segment result 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.

The following tables show the revenues and result of the Group's operating segments for the periods ended 31 December 2022 and 31 December 2021. The figures at 31 December 2021 have been restated on the basis of the new organisational structure.

RESULTS BY OPERATING SEGMENT AS AT 31 DECEMBER 2022

	Engineered systems for naval architecture and building façades	Professional kitchen systems and products	Mestieri: design and production of bespoke interiors division	Total segments	Adjustments and eliminations	Consolidated
Revenues from contracts with customers	192,703	64,598	69,108	326,409	(793)	325,616
Other revenues and income	3,068	1,048	764	4,880	(1,652)	3,228
Intra-segment revenues	8,641	3,110	1,347	13,098	(13,098)	-
Revenues	**204,412**	**68,756**	**71,219**	**344,387**	**(15,543)**	**328,844**
Raw materials and consumables	(81,977)	(35,556)	(28,877)	(146,410)	401	(146,009)
Employee benefit expense	(37,375)	(11,666)	(6,807)	(55,848)	14	(55,834)
Depreciation, amortisation and other write-downs	(11,559)	(3,455)	(5,331)	(20,345)	-	(20,345)
Other operating costs	(61,999)	(14,358)	(29,400)	(105,757)	1,992	(103,765)
Income from associates	87	-	-	87	-	87
Adjustments and eliminations	(8,641)	(3,110)	(1,347)	(13,098)	-	-
Segment net result	**2,948**	**611**	**(543)**	**3,016**	**(2,079)**	**937**

Amounts in €/000

RESULTS BY OPERATING SEGMENT AS AT 31 DECEMBER 2021	Engineered systems for naval architecture and building façades	Professional kitchen systems and products	Mestieri: design and production of bespoke interiors division	Total segments	Adjustments and eliminations	Consolidated
Revenues from contracts with customers	162,109	59,061	30,541	251,711	(1,161)	250,550
Other revenues and income	7,099	1,498	584	9,181	(1,251)	7,930
Intra-segment revenues	15,086	1,682	1,181	17,949	(17,949)	-
Revenues	**184,294**	**62,241**	**32,306**	**278,841**	**(20,361)**	**258,480**
Raw materials and consumables	(62,985)	(28,456)	(14,831)	(106,272)	210	(106,062)
Employee benefit expense	(30,228)	(12,123)	(4,246)	(46,597)	-	(46,597)
Depreciation, amortisation and other write-downs	(9,344)	(3,194)	(3,382)	(15,920)	-	(15,920)
Other operating costs	(55,456)	(14,216)	(15,327)	(84,999)	2,220	(82,779)
Income from associates	82	-	-	82	-	82
Adjustments and eliminations	(15,086)	(1,682)	(1,181)	(17,949)	-	-
Segment net result	**11,277**	**2,570**	**(6,661)**	**7,186**	**4,099**	**11,285**

Amounts in €/000

ADJUSTMENTS AND ELIMINATIONS

It should be noted that financial income and expenses, other revenues 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

RECONCILIATION OF INCOME

	2022	2021
Segment net income	**3,016**	**7,186**
Financial expenses	(3,288)	(1,608)
Financial income	790	5,486
Other income (and expenses)	457	203
Net effect of eliminations between segments	(38)	18
Profit before tax	**937**	**11,285**

Amounts in €/000

ASSETS AND LIABILITIES BY OPERATING SEGMENT AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

The following table shows the Group's assets and liabilities by operating segment as at 31 December 2022 and 31 December 2021:

ASSETS AND LIABILITIES BY OPERATING SEGMENT AS AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

	Engineered systems for naval architecture and building façades	Professional kitchen systems and products	Mestieri: design and produce of bespoke interiors division	Segments total	Adjustments and eliminations	Consolidated
Segment assets						
as at 31/12/2022	173,457	65,648	86,678	325,783	8,190	333,973
as at 31/12/2021	143,035	62,305	52,760	258,100	8,059	266,159
Segment liabilities						
as at 31/12/2022	(190,392)	(39,606)	(56,000)	(285,998)	(11,165)	(297,163)
as at 31/12/2021	(129,544)	(37,139)	(33,401)	(200,084)	(8,741)	(208,825)

Amounts in €/000

The following table shows revenues by geographical area as at 31 December 2022 and 31 December 2021

REVENUES BY GEOGRAPHICAL AREA		
	2022	**2021**
Italy	111,432	75,361
UE	65,477	60,155
Non-UE	151,935	122,964
Total	**328,844**	**258,480**

Amounts in €/000

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:

		2022	**%**	**2021**	**%**
Total Revenues	**Operating segment**	**328,844**	**100.0%**	**258,480**	**100.0%**
Client 1	Engineered systems for naval architecture and building façades. Professional kitchen systems and products. Mestieri: design and production of bespoke interiors division.	81,713	24.9%	66,568	25.8%
Client 2	Engineered systems for naval architecture and building façades.	52,245	15.9%	27,582	10.7%

Amounts in €/000

FINANCIAL HIGHLIGHTS

NOTE 1: PROPERTY, PLANT AND EQUIPMENT

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

PROPERTY, PLANT AND EQUIPMENT

	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	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 01/01/2021	**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**
Changes in 2022							
Business combinations	6,813	1,416	67	673	64	-	9,033
Change in scope of consolidation	-	-	-	10	15	-	25
Investments	29	334	382	340	41	-	1,126
Net disposals	-	(14)	(6)	(27)	(5)	-	(52)
Other changes / reclassifications	-	216	12	20	-	(266)	(18)
Amortisation	(318)	(1,721)	(436)	(557)	(704)	-	(3,736)
Exchange differences	8	190	-	28	141	13	380
Closing Net Book Value	**10,278**	**6,175**	**851**	**1,751**	**1,831**	**7**	**20,893**
Historical cost	13,136	20,733	5,873	7,033	5,172	7	51,953
Accumulated depreciation	(2,858)	(14,557)	(5,022)	(5,282)	(3,341)	-	(31,060)
Net Book Value as at 31/12/2022	**10,278**	**6,175**	**851**	**1,751**	**1,831**	**7**	**20,893**

Amounts in €/000

"Business Combinations" include the figures arising from the acquisitions of Bluesteel S.r.l., Budri S.r.l. and Lamp Arredo S.r.l., which took place during the current year.
The investments made in financial year 2022 are geared towards maintaining the efficiency and production capacity of the Group's plants. It should be noted that at 31 December 2022, there were no impairment indicators for Property, Plant and Equipment.

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, amortisation for the period, any write-downs or write-backs, and any effects deriving from extraordinary transactions.

INTANGIBLE ASSETS

	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	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 01/01/2021	**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**
Changes in 2022							
Business combinations	9,632	10	6,264	1,293	82	-	17,281
Change in scope of consolidation	-	-	-	13	-	-	13
Investments	-	123	449	12	235	971	1,791
Depreciation	(719)	-	-	-	-	-	(719)
Amortisation	-	(340)	(4,899)	(220)	(2,030)	-	(7,489)
Exchange differences	368	-	176	-	415	-	959
Closing Net Book Value	**36,699**	**621**	**10,700**	**1,550**	**8,961**	**986**	**59,517**
Historical cost	39,507	1,708	27,911	2,148	22,765	986	95,024
Accumulated depreciation	(2,808)	(1,087)	(17,210)	(598)	(13,804)	-	(35,507)
Net Book Value as at 31/12/2022	**36,699**	**621**	**10,700**	**1,550**	**8,961**	**986**	**59,517**

Amounts in €/000

Goodwill
Goodwill acquired through business combinations carried out by Somec Group during 2022 and in previous years amounted to a total of 36,699 thousand Euro as at 31 December 2022 (27,417 thousand Euro as at 31 December 2021).

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 S.r.l., Primax S.r.l., Pizza Group S.r.l., Pizza Group USA LLC and GICO S.p.A.), 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:

	CGU Fabbrica	CGU Professional Cooking Equipment	CGU TSI	CGU Oxin	CGU Skillmax	CGU Budri	CGU Lamp Arredo	CGU Bluesteel	CGU Hysea	Total
31/12/2022	6,320	6,482	6,379	5,685	2,837	5,603	1,962	1,348	83	**36,699**
31/12/2021	5,952	6,482	6,379	5,685	2,837	-	-	-	83	**27,417**

Amounts in €/000

The change during the period is mainly due to:

- the purchase price allocation for the acquisition of Bluesteel S.r.l.
- the write-down of the goodwill of the Bluesteel CGU following impairment test
- the provisional allocation of the price paid for the acquisitions of Budri S.r.l. and Lamp Arredo S.r.l.
- exchange effects on the goodwill in the functional currency of Fabbrica LLC

An overview of the change in the period relating to goodwill is provided in the following table:

GOODWILL	
Net Book Value as at 31/12/2021	**27,417**
Bluesteel Business Combination	2,067
Budri Business Combination (provisional PPA)	5,603
Lamp Arredo Business Combination (provisional PPA)	1,962
Goodwill write-down of the Bluesteel CGU	(719)
Exchange differences	368
Net Book Value as at 31/12/2022	**36,699**

Amounts in €/000

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 applicability of impairment indicators and to gain an insight into the results of the tests carried out, reference should be made to note 3 below.

Development costs

At 31 December 2022 development costs amounted to 621 thousand Euro (828 thousand Euro as at 31 December 2021) and referring to the construction of new products in the Professional kitchen systems and products sector.

Patents and know-how

"Patents and know-how", totalling 10,700 thousand Euro at 31 December 2022 (8,710 thousand Euro at 31 December 2021) includes, before the related deferred tax effect, allocation of part of the consideration paid for the purchase of Bluesteel S.r.l. as well as the provisional allocation of part of the consideration paid for the purchase of Budri S.r.l. and Lamp Arredo S.r.l. to the estimated fair value of know-how, i.e. the ability to perform in the sector in which they operate.
The same intangible asset was also recognised upon allocation of the price paid for the acquisitions of Fabbrica LLC and Primax S.r.l., 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 2022 amounted to a total of 9,780 thousand Euro (7,791 thousand Euro at 31 December 2021).

The change in know-how is summarised in the following table:

KNOW HOW	
Net Book Value as at 31/12/2021	**7,791**
Bluesteel Business Combination	1,632
Budri Business Combination	3,292
Lamp Arredo Business Combination	1,332
Amortisation	(4,422)
Exchange differences	155
Net Book Value as at 31/12/2022	**9,780**

Amounts in €/000

In order to identify the value of unpatented technology (know-how) from the business combinations of Bluesteel S.r.l., Budri S.r.l., Lamp Arredo S.r.l., Fabbrica LLC, Total Solution Interiors S.r.l., Primax S.r.l. and Skillmax S.r.l., 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 item "Concessions, licences, trademarks and similar rights", amounting to 1,550 thousand Euro as at 31 December 2022 (452 thousand Euro as at 31 December 2021) includes the fair value of the GICO brand (Professional Cooking Equipment CGU), recognised as a tangible asset with a finite useful life attributed in the purchase price allocation for the acquisition of the company. 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.
An overview of changes in this item during the year is shown in the table below:

CONCESSIONS, LICENCES, TRADEMARKS AND SIMILAR RIGHTS	
Net Book Value as at 31/12/2021	**452**
Bluesteel Business Combination	1,283
Budri Business Combination	10
Change in scope of consolidation	13
Investments	12
Amortisation	(220)
Net Book Value as at 31/12/2022	**1,550**

Amounts in €/000

Other intangible assets

The item "Other intangible assets", amounting to 8,961 thousand Euro as at 31 December 2022 (10,259 thousand Euro as at 31 December 2021), refers to the amount recognised as customer relationships following the acquisitions of Fabbrica LLC, Total Solution Interiors S.r.l. and Pizza Group S.r.l., which occurred in previous years. This item also includes the amount ascribed to the order backlog identified at the time of acquisition of Lamp Arredo, totalling 82 thousand Euro.

On overview of changes in Customer Relationships and Order Backlog is shown in the table below:

CUSTOMER RELATIONSHIPS	
Net Book Value as at 31/12/2021	**10,052**
Business Combinations	-
Amortisation	(1,679)
Exchange differences	402
Net Book Value as at 31/12/2022	**8,775**

Amounts in €/000

ORDER BACKLOG	
Net Book Value as at 31/12/2021	**-**
Lamp Arredo Business Combination	82
Amortisation	(21)
Exchange differences	-
Net Book Value as at 31/12/2022	**61**

Amounts in €/000

To calculate the value of relationships with customers from the Fabbrica LLC, Total Solution Interiors S.r.l. and Pizza Group S.r.l. 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 S.r.l, 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.

On the reporting date, the Directors have identified no impairment indicators for relationships with customers. “Other intangible assets” include costs capitalised during the year to the amount of 78 thousand Euro, pertaining to the contract cost assets of subsidiary Fabbrica LLC., amortised based on the project’s progress status.

Finally, this item includes intangible assets under development and advances (986 thousand Euro) mainly related to research and development projects underway in some companies of the Professional Kitchens Systems and Products BU, as well as software implementation projects.

NOTE 3: IMPAIRMENT TEST

On 17 March 2023, 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 2022 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 2023-2025 plans, transposed by the Parent Company in the Board Meeting held on 17 March 2023. 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 2022 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.) its Canadian subsidiary, Atelier de Façades Montréal Inc. and its Italian subsidiary Fabbrica Works S.r.l. 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 2023-2025 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 9.00%. 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 233.36%. Headroom is reduced to zero with a 69.45% 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., Pizza Group USA LLC 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 2023-2025 plan drawn up by management, determined by aggregating the 3-year plans of the five companies in the CGU, were discounted using a weighted average cost of capital (WACC) of 9.97%.
Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan 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 13.69%. Headroom is reduced to zero by a 25.23% 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 2023-2025 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 9.97%. Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan 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 13.24%. Headroom is reduced to zero with a 24.64% 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 2023-2025 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 10.75%. Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan 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 TSI CGU, including the allocated goodwill.

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 16.69%. Headroom is reduced to zero by a 37.40% 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 2023-2025 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 11.41%. Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan 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 19.05%. Headroom is reduced to zero with a 35.80% reduction in EBITDA compared to forecasts.

Impairment test – Bluesteel CGU

The Bluesteel CGU is linked to Bluesteel S.r.l., a European player in engineered façade and window systems, which was acquired in 2022.

To measure the return on the capital invested in the CGU, the expected future cash flows in the 2023-2026 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 10.79%. Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan as the reference cash flow and applying a growth rate (g) of 1%. The impairment test showed an impairment write-down of 719 thousand Euro on the capital invested in Bluesteel CGU, such loss being entirely allocated to goodwill. The value of goodwill recognised in the final allocation of the price paid for the acquisition of the company (2,067 thousand Euro) therefore totalled 1,348 thousand Euro at 31 December 2022.

Considering that the impairment test had already shown an impairment loss, for the purpose of sensitivity we only assumed a zero growth rate (g), which would have led to further impairment losses of 412 thousand Euro.

Impairment test – Budri CGU

The Budri CGU includes Budri S.r.l., acquired during financial year 2022, engaging in the delivery of large custom-made marble projects and complex projects such as villas, residences, hotels, boutiques and other high-end buildings.

To measure the return on the capital invested in the CGU, the expected future cash flows in the 2023-2027 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 12.41%. Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan 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 Budri CGU, including the allocated goodwill.

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 12.86%. Headroom is reduced to zero by a 3.17% reduction in EBITDA compared to forecasts.

Impairment test – Lamp Arredo CGU

The Lamp Arredo CGU includes Lamp Arredo S.r.l., acquired in financial year 2022, specialising in the engineering and production of metal elements, such as painted steel, stainless steel and other fine materials. To measure the return on the capital invested in the CGU, the expected future cash flows in the 2023-2026 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 8.93%. Cash flows beyond the plan period were determined using NOPAT (Net Operating Profit Less Adjusted Taxes) in the last year of the plan 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 Lamp Arredo CGU, including the allocated goodwill.

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 15.68%. Headroom is reduced to zero by a 41.00% 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:

RIGHT-OF-USE ASSETS	Land and buildings	Plant and machinery	Company cars	Other assets	Total
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 01/01/2021	**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**
Changes in 2022					
Business combinations	2,896	673	90	20	3,679
Change in scope of consolidation	199	-	24	-	223
Increase	525	327	733	25	1,610
Other changes / reclassifications	656	-	(35)	(4)	617
Depreciation and amortisation	(3,482)	(494)	(538)	(125)	(4,639)
Exchange differences	349	-	-	4	353
Closing Net Book Value	**23,452**	**2,303**	**1,425**	**207**	**27,387**
Historical cost	31,836	3,330	2,527	485	38,179
Accumulated depreciation	(8,385)	(1,027)	(1,102)	(278)	(10,792)
Net Book Value as at 31/12/2022	**23,452**	**2,303**	**1,425**	**207**	**27,387**

Amounts in €/000

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.

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

	2022	2021
Depreciation of right-of-use assets	4,639	4,143
Interest payable on leases	647	484
Expenses - short term leases	3,011	1,464
Total recognised in the income statement	**8,297**	**6,091**

Amounts in €/000

Total cash flows used for leases recognised in compliance with IFRS 16 amounted to 5,211 thousand Euro as at 31 December 2022 (4,539 thousand Euro as at 31 December 2021).

NOTE 5: INVESTMENTS IN ASSOCIATES

The following table shows the changes in the year 2022 of the item Investments in associates, referring to the company Squadra S.r.l.

INVESTMENTS IN ASSOCIATES	
Net book value as at 31/12/2021	**213**
Write-ups/(write downs)	87
Ownership variation	51
Net book value as at 31/12/2022	**351**

Amounts in €/000

NOTE 6: NON-CURRENT FINANCIAL ASSETS

The item is composed as follows:

NON-CURRENT FINANCIAL ASSETS	31/12/2022	31/12/2021
Securities and investment funds	229	287
Derivative instrument assets	2,383	33
Other financial assets	4	3
Total non-current financial assets	**2,616**	**323**

Amounts in €/000

Derivative assets reflect the non-current portion of the fair value at the reporting date of IRS derivatives hedging the interest rate risk of loans.

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.

DEFERRED TAX ASSETS	31/12/2022		31/12/2021	
	Timing differences	Tax effect	Timing differences	Tax effect
Bad debt provision	3,628	869	1,331	318
Maintenance	7	2	20	5
Unpaid Directors' compensation	25	6	83	20
Inventory write-offs	1,336	339	1,077	272
Warranty provisions	355	86	355	86
Trademark amortisation	658	184	594	166
Derivative financial instruments	29	8	176	42
Tax losses	8,083	1,940	8,369	2,009
Provisions for liabilities and charges	20	5	715	199
Ancillary cost adjustments for equity investments	382	106	25	6
Start-up and expansion costs	1	-	352	98
Right-of-use assets	987	238	919	222
Employee benefits	255	73	405	109
Relief on goodwill	61	17	-	-
Other	618	151	943	236
Total Deferred tax assets		**4,024**		**3,788**

Amounts in €/000

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 1,940 thousand Euro at 31 December 2022, refer mainly to tax losses generated in 2022 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. The Group recognises deferred tax assets up to the amount for which it considers it likely that they will be recovered in future periods and over a time horizon consistent with the time horizon outlined in the estimates of management. As at 31 December 2022 the Group has additional tax loss carry-forwards amounting to 7,662 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 866 thousand Euro.

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

DEFERRED TAX LIABILITIES	31/12/2022		31/12/2021	
	Timing differences	Tax effect	Timing differences	Tax effect
Unrealised exchange gains	747	179	56	14
Depreciation and amortisation	578	156	530	143
Derivative financial instruments	3,641	874	30	7
USA retained earnings	1,577	426	2,274	614
Right-of-use assets	319	77	379	92
Employee benefits	706	158	-	-
Increase in value allocated to contract assets (interim)	622	189	816	228
Increase in value allocated to land and buildings	4,518	1,261	1,960	547
Increase in value allocated to plant and machinery	362	101	414	116
Increase in value allocated to know-how	9,626	2,683	7,791	2,155
Increase in value allocated to customer relationships	8,373	2,289	10,052	2,748
Increase in value allocated to the order backlog	61	17	-	-
Increase in value allocated to brands	297	83	416	116
Others	-	-	47	10
Total Deferred tax liabilities		**8,493**		**6,790**

Amounts in €/000

NOTE 8: INVENTORY AND CONTRACT ASSETS

The item is composed as follows:

INVENTORY AND CONTRACT ASSETS	31/12/2022	31/12/2021
Raw materials and consumables	17,396	9,791
Work in process and semi-finished goods	2,926	1,527
Contract work in progress	27,285	22,329
Finished goods and goods for resale	5,115	2,249
Advances and payments on account to suppliers	776	189
Total Inventory and contract assets	**53,498**	**36,085**

Amounts in €/000

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 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 1,575 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 3,166 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 776 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 3,479 thousand Euro.

NOTE 9: TRADE RECEIVABLES

Trade receivables amounting to 84,152 thousand Euro as at 31 December 2022 (75,860 thousand Euro as at 31 December 2021) 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 2022 is as follows:

TRADE RECEIVABLES

	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 2022	74,752	6,035	1,015	6,241	**88,043**
Gross book value of trade receivables as at 31 December 2021	62,757	7,902	2,924	4,307	**77,890**

Amounts in €/000

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 2022 are shown below:

THE AMOUNT OF THE ALLOWANCE AND THE CHANGES

Balance as at 31/12/2021	**2,030**
Allocations and releases	(1,078)
Provisions	2,940
Balance as at 31/12/2022	**3,892**

Amounts in €/000

Doubtful receivables refer to specific accounts, the collection of which is deemed uncertain.
Provisions for doubtful receivables were carried on the basis of best estimates made by management based on the analysis of the schedule of payments and in relation to the solvency status of customers having a longer outstanding debt record or who are subject to enforced recovery proceedings.

NOTE 10: OTHER RECEIVABLES

Other receivables include the following:

OTHER RECEIVABLES	31/12/2022	31/12/2021
Indirect tax receivables	8,497	5,152
Other receivables	2,412	1,578
Advance payments to suppliers	4,470	2,248
Prepaid expenses	1,483	887
Down-payments	378	234
Employee advances	2	-
Labour insurance and social security receivables	29	28
Other tax receivables	1,146	97
Total Other receivables	**18,417**	**10,224**

Amounts in €/000

The item Indirect tax receivables amounting to 8,497 thousand Euro (5,152 thousand Euro as at 31 December 2021) 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.
The item Other receivables includes a 747 thousand Euro credit for labour cost subsidies received by US subsidiary Fabbrica LLC.

NOTE 11: TAX RECEIVABLES

The item includes the following:

TAX RECEIVABLES	31/12/2022	31/12/2021
Corporation tax receivable (IRES)	729	1,752
Regional business tax receivable (IRAP)	278	241
Foreign tax credit	2,274	1,347
Other income tax receivables	885	932
Total Tax receivables	**4,166**	**4,272**

Amounts in €/000

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:

OTHER CURRENT FINANCIAL ASSETS	31/12/2022	31/12/2021
Current financial assets	2,745	-
Derivative instrument assets	1,406	-
Securities	158	157
Prepaid interest and other financial items	299	232
Total Other current financial assets	**4,608**	**389**

Amounts in €/000

Current financial receivables include amounts due from factoring companies for claims assigned without recourse and not yet collected at year-end.
Derivative assets reflect the current portion of the fair value at the reporting date of IRS derivatives hedging the interest rate risk of loans.

NOTE 13: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

CASH AND CASH EQUIVALENTS	31/12/2022	31/12/2021
Current bank accounts and post office deposits	54,273	47,503
Cash-in-hand	71	142
Total Cash and cash equivalents	**54,344**	**47,645**

Amounts in €/000

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:

SHAREHOLDERS' EQUITY		
	31/12/2022	**31/12/2021**
Share capital	6,900	6,900
Share premium reserve	18,173	18,173
Legal reserve	1,380	1,380
Other reserves and retained earnings	5,540	20,815
Group net equity	**31,993**	**47,268**
Minority interest capital and reserves	3,522	7,734
Income from minorities	1,295	2,332
Minority interest	**4,817**	**10,066**
Total net equity	**36,810**	**57,334**

Amounts in €/000

The share capital (fully paid-in) amounts to 6,900 thousand Euro as at 31 December 2022, and is composed of 6,900,000 shares of no par value, inclusive of 22,900 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 Euronext Growth Milan (EGM) market in April 2018.
Below are the main components making up the item Other reserves and retained earnings:

- extraordinary reserve, amounting to 5,066 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 2022 had a balance of 2,910 thousand Euro (negative balance of 120 thousand Euro at 31 December 2021)

- 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 133 thousand Euro)

- share-based payment reserve, standing at 839 thousand Euro of 31 December 2022, which resulted from the accounting treatment of the Incentive Scheme and led to the recognition of a notional cost for the period (876 thousand Euro) and use for the allocation of restricted shares during the year (334 thousand Euro)

- treasury shares purchase reserve, which was established as part of the Parent Company's share purchase programmes and used in the current year following the allocation of restricted shares linked to the approval of the 2021 financial statements.
  It amounted to 22,900 treasury shares, accounting for 0.33% of the share capital, totalling 727 thousand Euro

- conversion reserve of 1,266 thousand Euro, relating to exchange rate differences from conversions into Euro of the balance sheets of Group companies operating in non-Euro areas

- result attributable to the Parent Company, which at 31 December 2022 amounted to -1,752 thousand Euro, compared to a positive result of 8,446 thousand Euro at 31 December 2021

Shareholders' equity pertaining to minority shareholders almost entirely pertained to minority shareholders of Fabbrica LLC and changed mainly due to: the purchase of minority interests in the same American subsidiary (4,075 thousand Euro), the normal trend of the translation reserve (463 thousand Euro), the distribution of dividends to minority shareholders of Fabbrica LLC (2,959 thousand Euro), and the attribution of the result for the period (1,295 thousand Euro). In addition, as previously mentioned under "Business Combinations and Acquisition of Minority Interests", the purchase of a minority interest in Fabbrica LLC completed during the first half of 2022, for a total consideration of 16,493 thousand Euro, resulted in a reduction of the Group's other equity reserves to the extent of 12,426 thousand Euro, in addition to the aforementioned decrease in minority interests to the extent of 4,075 thousand Euro.

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

OTHER COMPREHENSIVE INCOME COMPONENTS		
	2022	**2021**
Exchange differences on translation of foreign operations	929	2,006
Effective portion of gains/(losses) on cash flow hedge instruments	3,061	271
Gains/(losses) on remeasurement of defined benefit plans	442	(39)
Total Other components of net comprehensive income	**4,432**	**2,238**

Amounts in €/000

NOTE 15: LOANS AND FINANCING

The item is composed as follows:

LOANS AND FINANCING		
	31/12/2022	**31/12/2021**
Non-current repayments on medium/long-term loans	61,094	34,936
Total Non-current loans and financing	**61,094**	**34,936**
Instalments of medium/long term loans falling due within one year	14,881	13,612
Other loans payable	5,674	4,557
Advance payments on invoices and contracts	20,506	12,509
Overdrafts/factoring	1,442	305
Interest and charges on bank loans and overdrafts	135	22
Total Current loans and financing	**42,638**	**31,005**
Total Loans and financing	**103,732**	**65,941**

Amounts in €/000

The change in this item was mainly due to the increase in bank loans and funding following the Parent Company's entering a medium/long-term pool loan agreement with three leading banks in the first quarter of 2022. Other loans payable refer mainly 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). Measurements taken on 31 December 2022 had confirmed compliance with these parameters.

NOTE 16: OTHER FINANCIAL LIABILITIES

The item includes the following:

OTHER FINANCIAL LIABILITIES	31/12/2022	31/12/2021
Non-current lease liabilities	22,897	21,805
Derivative liabilities	-	188
Strike price of options on purchase of non-controlling interest	9,364	2,329
Earn out payment for non-controlling interest	1,765	-
Total Other non-current financial liabilities	**34,026**	**24,322**
Current lease liabilities	4,757	3,917
Strike price of options on purchase of non-controlling interest	-	400
Payables for equity investments	-	1,662
Earn out payment for non-controlling interest	732	-
Other financial liabilities	8	-
Total Other current financial liabilities	**5,497**	**5,979**
Total Other financial liabilities	**39,523**	**30,301**

Amounts in €/000

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

Options on purchase of non-controlling interest
This item refers to the fair value of options to minority shareholders:

- Skillmax S.r.l. (2,087 thousand Euro), becoming exercisable from May 2024 to April 2025
- Bluesteel S.r.l. (618 thousand Euro), becoming exercisable from the approval of the company's financial statements for the year ending 31 December 2025 until 30 June 2026
- Budri S.r.l. (4,488 thousand Euro), becoming exercisable – in relation to 15% of the share capital – from the approval of the company's financial statements for the year ending 31 December 2025, and in relation to the remaining 20%, from the approval of the financial statements for the year ending 31 December 2027

- Lamp Arredo S.r.l. (2,171 thousand Euro), becoming exercisable – in relation to 20% of the share capital – from the approval of the financial statements for the year ending 31 December 2024, and in relation to the remaining 20%, from the approval of the financial statements for the year ending 31 December 2026

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 2022 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.

Payables for equity investments
In 2022, amounts due for the purchase of shareholdings outstanding at the end of the previous year, totalling 1,662 thousand Euro at 31 December 2021, were written off (notably: 512 thousand Euro relating to the difference between the final price and the provisional price paid for the acquisition of Total Solution Interiors S.r.l.; 250 thousand Euro relating to the acquisition of Pizza Group S.r.l.'s shares; 700 thousand Euro relating to the deferred price for the exercise of the option on Primax S.r.l.'s minority interest; and, finally, 200 thousand Euro for the deferred price of GICO S.p.A.).

Earn out on the purchase of minority interests
This item reflects the discounted liability for the payment of earn out amounts due to the minority shareholders of Fabbrica LLC, based on the agreements entered into following the acquisition of the additional 20% interest in the American subsidiary, such acquisition having being completed in the first half of 2022 and totalling 2,244 thousand Euro. This liability was linked to EBIT figures forecast in the company's business plan for each financial year between 2022 and 2025. This item also includes the discounted liability for the payment of earn out amounts due to the minority shareholders of Budri S.r.l. (254 thousand Euro). This liability was linked to EBITDA and net financial position figures relating to each individual financial year between 2022 and 2025.

NOTE 17: PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges, amounting to 1,322 thousand Euro (1,283 thousand Euro at 31 December 2021), increased by 821 thousand Euro due to the use of provisions allocated for certain pending litigations and 860 thousand Euro for additional provisions for the period.

Changes in the item during the year were as follows:

PROVISIONS FOR LIABILITIES AND CHARGES		
	31/12/2022	**31/12/2021**
Provision for cost-operating contract costs	1,187	1,035
Product warranty provision	25	25
Other provisions for liabilities and charges	110	223
Total provisions for liabilities and charges	**1,322**	**1,283**

Amounts in €/000

The movements of the year were as follows:

MOVEMENTS OF PROVISIONS FOR LIABILITIES AND CHARGES	31/12/2021	Allocations	Provisions	31/12/2022
Provision for cost-operating contract costs	1,035	(704)	856	1,187
Product warranty provision	25	-	-	25
Other provisions for liabilities and charges	223	(117)	4	110
Total provisions for liabilities and charges	**1,283**	**(821)**	**860**	**1,322**

Amounts in €/000

NOTE 18: NET DEFINED-BENEFIT OBLIGATIONS

The item refers to severance indemnity reserve (TFR) changes in which during 2022 were as follows:

NET DEFINED-BENEFIT OBLIGATIONS	
Balance as at 31/12/2021	**4,256**
Business combinations	1,497
Provisions	2,195
Interest	65
Other changes	(370)
Actuarial (gains)/losses	(543)
Uses for indemnities settled and advance payments made	(1,970)
Balance as at 31/12/2022	**5,130**

Amounts in €/000

As at 31 December 2022, 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:

ASSUMPTIONS		
	31/12/2022	**31/12/2021**
Economic assumptions		
Increase in living costs	2.30%	1.75%
Discount rate	3.77%	0.98%
Severance indemnity growth rate	3.22%	2.81%
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	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.

SENSITIVITY ANALYSIS (31/12/2022)	
Turnover rate +1%	3,495
Turnover rate -1%	3,451
Inflation rate +0.25%	3,531
Inflation rate -0.25%	3,418
Discount rate +0.25%	3,402
Discount rate -0.25%	3,548

Amounts in €/000

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

EXPECTED PAYMENTS	
Within 1 year	1,099
Between 1 and 2 years	1,104
Between 2 and 3 years	1,214
Between 3 and 4 years	1,385
Between 4 and 5 years	1,247
Total	**6,049**

Amounts in €/000

NOTE 19: TRADE PAYABLES

Trade payables totalled 79,324 thousand Euro at 31 December 2022, compared to 53,427 thousand Euro at 31 December 2021. The change was mainly due to an increase in material costs and the Group's higher level of procurement. It should be noted that these payables mainly refer to contract-based supplies scheduled for settlement after the end of the period.
Trade payables are due within 12 months, do not bear interest and are normally settled within between 30 and 120 days. At 31 December 2022, the Group reflected trade payables to factoring companies. The Group relied on indicators to establish whether these payables continued to qualify as trade payables or were to be held as loans. It should be noted that at 31 December 2022 these payables met the criteria whereby they could be held as trade payables.

NOTE 20: OTHER CURRENT LIABILITIES

The item is composed as follows:

OTHER CURRENT LIABILITIES	31/12/2022	31/12/2021
Social security and pension fund liabilities	2,765	2,080
Deferred employee compensation liabilities	4,586	3,685
Payables to directors and statutory auditors	269	266
Indirect tax and withholding tax liabilities	3,306	2,212
Other liabilities	1,340	1,053
Accrued expenses and deferred income	818	357
Total Other current liabilities	**13,084**	**9,653**

Amounts in €/000

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 2022 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 2022.

NOTE 21: CONTRACT WORK IN PROGRESS AND CUSTOMER ADVANCES

This item, amounting to 43,215 thousand Euro as at 31 December 2022 (35,224 thousand Euro as at 31 December 2021) 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 change was mainly due to an increase in production volumes and unit costs.
The item Customer advances refers to orders not in progress on the reporting date.

NOTE 22: INCOME TAX LIABILITIES

Taxation, to the amount of 2,671 thousand Euro (1,950 thousand Euro as at 31 December 2021) consists of current tax liabilities, net of advance tax payments and residual tax liabilities from the previous year.

KEY INCOME STATEMENT ITEMS

NOTE 23: REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenues from contracts with customers amount to 325,616 thousand Euro as at 31 December 2022 (250,550 thousand Euro as at 31 December 2021), broken down as follows by operating segment:

REVENUES FROM CONTRACTS WITH CUSTOMERS

	2022		2021	
	Revenues from contracts with customers	Change in contract work in progress	Revenues from contracts with customers	Change in contract work in progress
Engineered systems for naval architecture and building façades	178,427	13,786	160,911	788
Professional kitchen systems and products	62,090	2,347	61,147	(2,570)
Mestieri: design and production of bespoke interiors division	69,653	(687)	26,881	3,393
Total Revenues from contracts with customers	**310,170**	**15,446**	**248,939**	**1,611**

Amounts in €/000

Typically, "variable considerations" do not have a significant impact on the Group, except for contract additions agreed with customers. The amount of claims and amounts recognised to customers for any penalties were not significant.

The breakdown of revenues (at 325.6 million Euro) by geographical area is as follows:

REVENUES FROM CONTRACTS BY GEOGRAPHICAL AREA

	Italy	EU	Non-EU	Total
Revenues from contracts with customers 2022	108,356	65,477	151,783	**325,616**
Revenues from contracts with customers 2021	72,932	60,096	117,522	**250,550**

Amounts in €/000

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 Revenues "at a point in time" at the final delivery of the goods or services.

REVENUES FROM CONTRACTS *OVER TIME* AND *AT A POINT IN TIME*

	Revenues over time	Revenues at a point in time	Total revenues from contracts with customers
Revenues from contracts with customers 2022	297,189	28,427	**325,616**
Revenues from contracts with customers 2021	221,807	28,743	**250,550**

Amounts in €/000

NOTE 24: OTHER REVENUES AND INCOME

Other revenues and income are broken down as follows:

OTHER REVENUES AND INCOME	2022	2021
Grants	56	6,506
Insurance claim settlements	690	62
Other income	2,007	1,028
Contingent assets	475	334
Total Other revenues and income	**3,228**	**7,930**

Amounts in €/000

It should be noticed that in 2021 the Group benefited, through the US subsidiary Fabbrica LLC, from a Government grant (under the "Paycheck Protection Program") of 4,252 thousand Euro to offset operating expenses and maintain employment levels during the Covid-19 pandemic in 2020, and additional Government grants totalling 1,181 thousand Euro related to additional subsidy programmes.

NOTE 25: EMPLOYEE BENEFIT EXPENSES

Employee benefit expense is broken down as follows:

EMPLOYEE BENEFIT EXPENSES	2022	2021
Wages and salaries	43,492	36,947
Social security costs	9,227	7,469
Defined benefit obligations	1,923	1,616
Other personnel expenses	1,192	565
Total Employee benefit expenses	**55,834**	**46,597**

Amounts in €/000

Personnel expenses represent total costs incurred for employees, including wages and salaries, social security and pension contributions and severance indemnity reserve.
This change was mainly due to the strong increase in the workforce at Fabbrica LLC and the company acquisitions during the year. 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 2022 and 31 December 2021 is shown in the following table:

AVERAGE NUMBER OF EMPLOYEES PER CATEGORY		
	2022	**2021**
Directors	17	14
Managers	38	31
Office staff	423	340
Operational workers	458	396
Total	**936**	**781**

NOTE 26: DEPRECIATION, AMORTISATION AND WRITE-DOWNS

Depreciation, amortisation and write-downs are as follows:

DEPRECIATION, AMORTISATION AND WRITE-DOWNS		
	2022	**2021**
Depreciation of property, plant and equipment	3,736	3,338
Amortisation of intangible assets	7,489	6,805
Depreciation of right-of-use assets	4,639	4,143
Write-down of goodwill	719	-
Depreciation of tangible and intangible assets	-	107
Provision for bad debt	2,725	513
Other provisions for liabilities and charges	1,037	1,014
Total Depreciation, amortisation and other write-downs	**20,345**	**15,920**

Amounts in €/000

The provision for bad debt includes an allowance to align trade receivables with their expected realisable value.

NOTE 27: OTHER OPERATING COSTS

Other operating costs are composed as follows:

OTHER OPERATING COSTS		
	2022	**2021**
Outsourced manufacturing	30,271	20,638
Installation	25,700	27,731
Transport	7,864	6,516
Director and auditor remuneration	2,032	2,114
Audit fees	394	350
Other expenses	37,504	25,430
Total Other operating costs	**103,765**	**82,779**

Amounts in €/000

It should be noted that Other expenses mainly refers to service costs, general expenses, rental costs relating to short-term rental and lease contracts or contracts whose underlying activity is of low value, and miscellaneous operating expenses. According to Art. 149-duodecies of the Issuers' Regulation, it should be noted that the fees for the audit services performed during the year by EY S.p.A. amounted to 274 thousand Euro and 128 thousand Euro for other services, with reference to the compliance of the Annual Report prepared using the ESEF format and other activities of assistance to the management, included in the item "Other expenses".

NOTE 28: FINANCIAL INCOME AND EXPENSES

The item includes the following:

FINANCIAL INCOME AND EXPENSES	2022	2021
Interest payable on bank loans and borrowings	(1,470)	(540)
Interest payable on lease liabilities	(647)	(484)
Interest payable on defined benefit plans	(65)	(17)
Interest payable to third parties	(138)	(460)
Other financial charges	(884)	(98)
Remeasurement of financial liabilities (put option)	(25)	(9)
Write-down of financial assets	(59)	-
Total Financial expenses	**(3,288)**	**(1,608)**
Other financial income	17	51
Other interest	134	33
Other income	17	19
Revaluation of financial assets	8	33
Remeasurement of financial liabilities (put option)	614	5,350
Total Financial income	**790**	**5,486**
Total Financial income and expenses	**(2,498)**	**3,878**

Amounts in €/000

The item Financial income and expenses as at 31 December 2022 had a negative balance of 2,498 thousand Euro (3,878 thousand Euro at 31 December 2021).

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 457 thousand Euro as at 31 December 2022 (positive balance of 203 thousand Euro as at 31 December 2021).

NOTE 30: INCOME FROM ASSOCIATES

The item, amounting to 87 thousand Euro as at 31 December 2022, 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:

INCOME TAXES		
	2022	**2021**
Current tax:		
- *IRES*	1,485	2,390
- *IRAP*	458	529
- *Other current tax for foreign subsidiaries*	1,990	873
Income tax prior years	278	180
Income from tax consolidation	(766)	-
Deferred tax liabilities	(2,004)	(1,672)
Deferred tax assets	(47)	(1,793)
Total Income taxes	**1,394**	**507**

Amounts in €/000

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

RECONCILIATION OF THE THEORETICAL AND THE ACTUAL TAX BURDEN		
	2022	**2021**
IRES theoretical rate	24%	24%
Pre-tax result	937	11,285
Theoretical taxes (*)	225	2,708
Actual taxes	1,394	507
Difference explained by:	**(1,169)**	**2,201**
1) Different rates in other countries	365	877
2) Permanent differences	-	167
(i) IRAP and other local taxes	(528)	(586)
(ii) non-deductible items	(947)	1,769
(iii) taxes in previous years	(278)	(181)
(iv) other	219	155
Total difference	**(1,169)**	**2,201**

* *Theorical taxes calculated by applying the Parent Company's IRES rate.*

Amounts in €/000

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:

EARNINGS PER SHARE AND NUMBER OF SHARES		
	2022	**2021**
Earnings/(Loss) per share (Euro)	(0.25)	1.23
Diluted earnings/(Loss) per share (Euro)	(0.25)	1.23
Weighted average number of outstanding shares:		
- *basic*	6,879,207	6,877,986
- *diluted*	6,879,207	6,877,986

OTHER INFORMATIONS

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:

	31.12.2022	31.12.2021
Non-current financial assets	2,616	323
Trade receivables	84,152	75,860
Other receivables	18,417	10,224
Current financial assets	4,608	389
Cash and cash equivalents	54,344	47,645
Total	**164,137**	**134,441**

Amounts in €/000

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).
The table below shows sensitivity analysis to a reasonably possible change in the US dollar exchange rate for the main American subsidiaries of the Group, Fabbrica LLC and Navaltech LLC, with all other variables kept constant, showing the overall effect on the operating result as at 31 December 2022.

Changes in the USD exchange rate		**Effect on operating result as at 31 December 2022**	
(+)	**(-)**	**(+)**	**(-)**
+5%	-5%	(511)	565
+10%	-10%	(976)	1,193

Amounts in €/000

Transactions carried out in other currencies, other than the US dollar, are not significant at the closing date of these financial statements.

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 most of its floating-rate loans into fixed-rate loans by means of derivative financial instruments for cash flow hedging purposes.
For this reason, at the closing date of these financial statements, the potential effect on the income statement of the increase and decrease in interest rates (sensitivity analysis) is not significant.

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 2022 in comparison with same items as at 31 December 2021.

LIABILITIES MATURITY					
	31/12/2022	**On demand**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**
Loans and financing	61,094	-	-	53,996	7,098
Other non-current financial liabilities	34,026	-	-	24,834	9,192
Other non-current liabilities	669	-	-	660	9
Total non-current liabilities	**95,789**	**-**	**-**	**79,490**	**16,299**
Trade payables	79,324	-	79,324	-	-
Other current liabilities	13,084	-	13,084	-	-
Loans and financing	42,638	27,757	14,881	-	-
Other current financial liabilities	5,497	-	5,497	-	-
Income tax liabilities	2,671	-	2,671	-	-
Total current liabilities	**143,214**	**27,757**	**115,457**	**-**	**-**

Amounts in €/000

	31/12/2021	**On demand**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**
Loans and financing	34,936	-	-	34,082	854
Other non-current financial liabilities	24,322	-	-	16,689	7,633
Total non-current liabilities	**59,258**	**-**	**-**	**50,771**	**8,487**
Trade payables	53,427	-	53,427	-	-
Other current liabilities	9,653	-	9,653	-	-
Loans and financing	31,005	17,393	13,612	-	-
Other current financial liabilities	5,979	-	5,979	-	-
Income tax liabilities	1,950	-	1,950	-	-
Total current liabilities	**102,014**	**17,393**	**84,621**	**-**	**-**

Amounts in €/000

Some medium-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 position/EBITDA and net financial position/shareholder's equity).

RISKS RELATED TO THE COVID-19 VIRUS (CORONAVIRUS)

The Group's business model features a short and controlled production chain not particularly exposed to the current pandemic emergency. However, despite a marked improvement in the health situation, a possible reversal cannot be ruled out, which could to some extent impact operations, with special reference to the customer and supplier chain.
Moreover, while the cruise sector is enjoying a phase of strong recovery, it remains particularly vulnerable to the phenomenon. To mitigate this risk, the Group continues to adopt strict measures and protocols to safeguard the health of employees and the continuity of operational processes.

RISKS RELATING TO THE WORLDWIDE GEOPOLITICAL SITUATION

Over the past few years, the macroeconomic backdrop has been filled with uncertainty. Since the outset of the health emergency, geopolitical instability and, more importantly, the Russian-Ukrainian conflict that began in February 2022, have led to an extremely complex and unpredictable situation, characterised by inflationary trends and highly speculative dynamics. Notably, these trends have had an impact on energy and commodity prices, as well as on reliability of supplies and, more generally, a sharp increase in inflation on a global scale, resulting in a tightening of central banks' monetary policies. For the first time, resource availability is at risk, making any planning and optimisation of the production chain extremely difficult. This in turn has an impact on costs and efficiency.
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 an extremely streamlined organizational structure and abundant order backlog, which is an undoubted advantage in terms of potential planning.
Therefore, the economic recovery seen in the first post-pandemic phase has rapidly slowed down and the outlook for the short to medium term remains uncertain and difficult to make out. In any case, the Group constantly monitors the evolution of the macroeconomic environment and its impact on business.

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 a transition to business management with a lower environmental impact, trying to reduce the generation of greenhouse gas emissions. An integral part of this path is the determination of the transition risks (including the increase in energy costs) and physical risks that could have an impact on company 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 processes and the product sold 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 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 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:

COMPARISON BETWEEN BOOK VALUE AND FAIR VALUE

	31/12/2022		31/12/2021	
	Book value	**Fair value**	**Book value**	**Fair value**
Interest Rate Swaps:				
- Assets	3,788	3,788	33	33
- Liabilities	-	-	(188)	(188)
Call options on acquisition of non-controlling interest	(9,364)	(9,364)	(2,729)	(2,729)
Earn out payment for non-controlling interest	(2,497)	(2,497)	-	-
Total	**(8,073)**	**(8,073)**	**(2,884)**	**(2,884)**

Amounts in €/000

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 following levels can be seen:

- 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 2022 can be classified as level 2, with the exception of the options for the purchase of non-controlling minority interests and earn out payment for non-controlling interest, which can be classified as level 3 assets. Moreover, during 2022 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.

Financial and economic relations with related parties during the year 2022 are summarized in the balance sheet and income statement below.

STATEMENT OF FINANCIAL POSITION	Trade receivables	Other receivables	Account payables	Other non-current financial liabilities	Other current liabilities
2.0 Partners LLC	-	4	(9)	-	-
MS Studio Concept Inc.	-	-	-	(218)	(25)
Squadra S.r.l.	-	-	(317)	-	-
Venezia S.p.A.	2	-	(19)	-	-
Vis S.r.l.	7	-	(358)	(7,515)	(906)
Total	**9**	**4**	**(703)**	**(7,733)**	**(931)**

Amounts in €/000

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 year 2022 amount to 1,054 thousand Euro.

INCOME STATEMENT	Other revenues	Raw materials and consumables	Other operating costs	Financial expenses
2.0 Partners LLC	-	-	-	(55)
Fondaco S.r.l.	2	-	-	-
Fondaco USA Corp.	-	-	(9)	-
Marine Glass System Inc.	-	-	(9)	-
Squadra S.r.l.	-	(1,732)	(424)	-
Venezia S.p.A.	2	-	-	-
Vis S.r.l.	3	-	-	-
Total	**7**	**(1,732)**	**(442)**	**(55)**

Amounts in €/000

It is noted that in the reporting period there was a single "highly significant" transaction 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, carried out by the subsidiary 3.0 Partners USA Inc., referring to the acquisition of an additional 20% of the share capital of US subsidiary Fabbrica LLC. No other transactions with related parties materially affected the company’s financial situation or results during the period, 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

Below is the remuneration paid to members of the governing and control bodies and to managers with strategic responsibilities in 2022.

	Compensation	Non-cash compensation	Bonuses and other incentives	Other compensation
Parent Company Board of Directors	942	9	-	440
Parent Company Board of Statutory Auditors	55	-	-	-
Key management personnel	-	9	155	1,170
Total	**997**	**18**	**155**	**1,610**

Amounts in €/000

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.

	Assigned options			Accrued options			
Vesting	Restricted share	Performance share	Total	Restricted share	Performance share	Total	Fair Value
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	12,657	23,624	698,020
Approval of 2025 financial statements	-	51,777	51,777	-	30,464	30,464	865,379
Total	**32,899**	**72,925**	**105,824**	**32,899**	**43,121**	**76,020**	**2,226,669**

The cost accrued in the reporting period was 876 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 2022.

FINANCIAL DEBT

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

FINANCIAL DEBT			
		31/12/2022	31/12/2021
A.	Cash	54,344	47,645
B.	Cash equivalents	-	-
C.	Other current financial assets	3,202	389
D.	**Total liquidity (A+B+C)**	**57,546**	**48,034**
E.	Current financial liabilities (including debt instruments, excluding the current portion of non-current financial liabilities)	(33,253)	(23,372)
F.	Current portion of long term debt	(14,881)	(13,612)
G.	**Current financial debt (E+F)**	**(48,134)**	**(36,984)**
H.	**Current net financial debt (G+D)**	**9,412**	**11,050**
I.	Non-current financial liabilities (excluding current portion and debt instruments)	(95,121)	(59,258)
J.	Debt instruments	-	-
K.	Trade payables and other non-current liabilities	-	-
L.	**Non-current financial debt (I+J+K)**	**(95,121)**	**(59,258)**
M.	**Total financial debt (H+L)**	**(85,709)**	**(48,208)**

Amounts in €/000

Current debt and non-current financial position include financial liabilities on rental agreements.
It should be noted that by adding the fair value of current and non-current derivative assets, equal to 3,788 thousand Euro, to the financial debt shown above, the net financial position at 31 December 2022 amounts to 81,920 thousand Euro

COMMITMENTS AND RISKS

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

COMMITMENTS AND RISKS		
	31/12/2022	**31/12/2021**
Contract sureties	207,093	249,243
Other guarantees	161,830	261,420
Total	**368,923**	**510,663**

Amounts in €/000

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 Engineered systems for naval architecture and building façades 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 2022.

SIGNIFICANT EVENTS AFTER YEAR END 2022

Completion of Gino Ceolin S.r.l. acquisition

On 25 January 2023, Somec S.p.A. finalised, through its direct subsidiary Mestieri S.r.l., the acquisition of 60% of the share capital of Gino Ceolin S.r.l.

The provisional price paid was 1.3 million Euro, which will be subject to adjustment based on the achievement of certain targets calculated on the closing date of the financial statements for the year ended 31 December 2022. The remaining 40% of the capital is tied to Put and Call option rights that may be exercised within 90 days of the approval of the financial statements for the year ending 31 December 2026. The Put and Call option exercise price will be based on the average normalised EBITDA of the three financial years prior to such exercise, to which a 5x multiple will be applied, net of the net financial position calculated at the option exercise date.

A variable price component is also payable by way of earn out up to 0.3 million Euro, to be paid upon reaching certain parameters related to the value of production and normalised EBITDA in the 2023 and 2024 periods.

Appointment of an Investor Relation Manager

On 8 March 2023, Somec S.p.A. appointed an Investor Relation Manager who will be responsible for boosting Somec's knowledge and reputation with the financial community, helping the share price and trading volumes on the Milan Stock Exchange to become increasingly more significant.

San Vendemiano – Italy, 22 March 2023

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 2022.

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 2022:

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.

22 March 2023

Oscar Marchetto
Executive Officer

Federico Puppin
Manager Responsible for Preparing Financial Reports

REVIEW REPORT
OF INDEPENDENT AUDITING FIRM

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Somec S.p.A.

Consolidated financial statements as at December 31, 2022

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, 2022, 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, 2022, 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 36.7 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 2022-2025 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 27.3 million, and Liabilities for contract work in progress and advances from customers for Euro 43.2 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	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
included in Notes 8 and 21, as well as in the 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;

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- 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 them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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 as at December 31, 2022 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 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.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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, 2022, 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, 2022 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, 2022 and comply with the applicable laws and regulations.

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

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

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

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

Treviso, April 13, 2023

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

As disclosed by the Directors on page 49 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.

Somec S.p.A. / San Vendemiano (TV) Italy

For further information about the contents
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