

SOME C

1H 2023 RESULTS CONFERENCE CALL – 27/09/2023

Good morning, this is the Chorus Call operator. Welcome to SOME C presentation of financial and guidance results for the first semester of 2023. I would like to remind you that all participants are in listen-only mode. After the initial presentation, you will have the opportunity to ask questions. To receive assistance from an operator during the conference call, type * followed by 0. Now I would like to give the floor to Alessandro Zanchetta, co-CEO and CFO.

Alessandro Zanchetta: Yes, good morning, everyone. Let's start with the results of SOME C's first semester, found on slide number 4. In terms of revenues, we are still experiencing a strong growth. Following the growth recorded in 2022, we have achieved an additional 26% growth in the first semester of 2023, with revenues reaching EUR 191.6 million, compared to EUR 152 million in the previous semester. Organic growth has been significant, almost 17%, while growth through acquisitions stands at 9.1%, mainly concerning the Mestieri division.

Let's see revenues by division compared to the first semester of 2022. We observe an increase in revenues for the Mestieri division, rising from 21% in 2022 to 25% in 2023, while the other two business divisions remain more or less at the same levels. Clearly, the naval architecture and civil façades division is the one with the highest turnover, 57.3% of the total.

The impact of organic growth is EUR 25.7 million, mainly derived from progress of naval and civil contracts and from the strong increase of refitting activities compared to 2022. The impact of acquisitions is EUR 13.9 million, mainly attributed to Budri and Lamp Arredo which we acquired in the second semester of 2022 and Gino Ceolin, whose position was consolidated as of January 1, 2023. The exchange rate effect is minimal and favorable, amounting to 1.8% for what concerns revenues.

In the breakdown by geographic area, the most important share, 54.9%, is always attributed to Europe, including Italy, due to the significant growth of Mestieri. The American share maintains a 37% share in terms of revenues by geographic area. 8% is the percentage attributed to the rest of the world.

As far as the backlog is concerned, in the first semester we gathered EUR 111 million worth of contracts, clearly the ones we disclosed. Among the most important, I would like to highlight two contracts: one in Boston and one in New York with a total value of over EUR 55 million through the Fabbrica division in the field of civil glazing; an important

building in London, also in the field of naval architectures and civilian façades, led by Bluesteel, which is let's say the beginning of a new era of Bluesteel, maybe we'll see it into detail later. Other important contracts, especially thanks to synergies among our various divisions, are the ones we secured as Mestieri for the headquarters of a well-known multinational in New York City and for an architectural design project in the Design District in Miami, two contracts which will be fulfilled by Mestieri, in collaboration with our American partners.

As for the naval business, new contracts concern four agreements, including two option contracts with Chantiers De L'Atlantique, and the refitting of three very important cruise ships. In regard to new buildings, the most important contracts are with Four Seasons, this new luxury shipowner in the industry of cruises, which is a contract assigned to one of our divisions specializing in catering.

The total backlog of orders, as of June 30, 2023, is 845 million compared to 934 million on December 31. The decrease of 89 million is entirely attributable to the naval architecture and civil façades division, practically almost all to the naval division. The new orders, clearly in the naval field, are expected between the end of 2023 and the beginning of 2024... There are new orders that will definitely be assigned and that could therefore allow this division to recover the orders that we have not signed during the first semester, clearly because of needs dictated by shipowners' and shipyards' decisions.

As for the backlog's time horizon, it extends beyond 2028, with an important breakdown for 2024, amounting to 31.3% of the orders, followed by 2025 and 2026.

Let's talk about the concentration of the backlog order by shipowners. First of all, 41% of the orders does not represent a backlog related to shipowners, reflecting our diversification strategy in the sector, while the largest single shipowner accounts for 13% of our total backlog orders, and the others follow, but clearly there is enough homogeneity in terms of average volumes per shipowner.

The backlog is destined to become a measure less and less representative of SOME C's business, due to the expansion into fields that do not deal only with commissioned projects. The focus of Mestieri's refitting is on orders within a year, which sometimes we manage to secure and complete in the semester.

Let's move on to profitability, to slide on page 7. EBITDA has shown year-on-year improvement. Comparing the performance between the first half of 2022 and the first half of 2023, we go from an EBITDA of EUR 9.1 million to an EBITDA of EUR 9.8 million, reflecting a growth of 7.4%. In terms of EBITDA margin, instead, we go from an average of 6% in the first half of 2022 to 5.1% in 2023.

As far as EBITDA is concerned, the biggest sales impact was at gross profit level due to an increase of contracts costs and a EUR 3.9 million increase in personnel costs, mainly due to the three acquisitions that I mentioned earlier and also to the adjustment to the

ISTAT index to account for inflation. The impact on personnel has brought EBITDA to 9.8 million.

Profitability: clearly, the most important impact on EBITDA resulted from a further general increase in production costs, especially due to inflation. By increase in production costs we mean not only raw materials, but also everything related to personnel, contracts, rentals, and everything influenced by inflation in this first part of the year.

Then, let's see the progress of contracts secured in the past. In the meantime, margins have decreased. It's an issue we had already addressed during 2022. In the first half of 2023, we have the final stages of those orders from previous years, let's say pre-Covid, which have had an impact on margins and final costs. It's important that these costs are being depleted during this year and especially in the first semester of the year.

As for costs related to the enhancement of Mestieri, we have invested a lot in this division with business facilities, with marketing costs, with the development of projects, with the cost of what concerns all the projects themselves. This boost that was given to Mestieri will push the EBITDA in the second part of the year, also as a result of the contracts we have secured and disclosed.

Another important effect on the EBITDA in the first semester was the losses of historical contracts of Bluesteel, the company that we have acquired in early 2022. During 2022, but partly also in 2023, we have completely reorganized the company. We have ended the partnership with the former CEO, just a few days ago, and we took the opportunity to clean up two orders, undertaken before Covid, which have led us to decrease the value or in any case to increase final costs to fulfill these two contracts.

These effects are accounted within the first part of the year and will no longer have an impact in the second.

As for the EBIT, as you can see, for the sake of accuracy and transparency we have adjusted data about 2022 compared to 2023, in order to exclude the effect of an extraordinary write-off of trade receivables related to two foreign clients that occurred in 2022 and that we no longer have in 2023. This clearly led to a reduction also in the EBIT. If we then turn to page 8, there are details about our three business sectors.

Let's start with naval architecture and civil façades. Profitability, as I mentioned earlier, is still compromised by the effects of inflation, especially on new naval building, so on those contracts secured a few years ago. In terms of revenues, the growth has been significant, from 88.3 million to 109.8 million. The growth is entirely organic and accounts for 24.3%. The naval segment has increased, in line with the expectations of current orders, despite some delays in delivering ships by shipyards and shipowners, which have also contributed to the increase of "Contract work in progress" also causing a cash impact that we will examine later.

The increase in refitting activities has been significant, accounting for over 60%, although in the first semester it was not in line with the volumes of refitting in 2019, volumes which will certainly be growing more especially in the second half of the year and even more in 2024.

As for the Civil segment, it still posted a good performance in terms of business in the USA, in the sense that we have no reason to think of crisis or work slowdowns. Business in the USA is continuing to grow as expected, according to the scheduled business plan, both in terms of progress of contracts and in terms of new orders, as we saw before. Therefore, at this moment we do not fear any slowdown regarding the American real estate sector triggered by the increase in interest rates.

This is due to the strategic choice to work on government contracts, on contracts related to education, on headquarters of pharmaceutical multinationals or headquarters of large international luxury groups that clearly are not subject to this type of speculation or to any increase in interest rates.

The EBITDA margin has remained stable at 4.9%, while increasing its absolute value. The positive contribution to the EBITDA is mainly coming from refitting. With the growth of the refitting, there is also a significant boost to EBITDA margin. On the other hand, it was balanced by a further reduction of margins in the most relevant naval contracts, even because of inflationary phenomena that have influenced the cost of production factors and of raw materials, both in 2022 and part of 2023, especially in the first semester which was hit by inflationary effects on labour costs. Just think about the reevaluation of the severance pay, or to the employees' requests for wage adjustments on the basis of the increase of the cost of living.

Another negative factor that we remarked in the first semester concerns losses related to some Bluesteel contracts, that were secured in 2019 and 2020 by the former CEO and weren't handled as we would have.

As for professional kitchens division, on page 9, revenues grew by 10%. Even here, the revenue growth is entirely organic and mainly due to the progress of the naval contracts in the catering segment. Instead, the sales volumes for the other companies belonging to this division are still quite weak, especially in the first two months of the year, which were still influenced a bit by fears of increasing cost of energy, and thus by a decrease in the investments related to restaurants, bars, and hotels. We expect to recover most of this loss of turnover of the year's first quarter in the second half of the year.

Despite its growth in absolute value by a +6.4%, the EBITDA concerning this area records a decrease from 6.1% to 5.9%, in percentage terms. This is mainly due to the lack of sales volumes in the civil sector, but also to the costs that we had in the first part of the semester for the strengthening of the business facilities and especially for the development in the

American market, where we have invested in products and trade shows. We have invested in personnel because we are convinced that this is a market expanding rapidly. The market in which Pizza Group operates will be very important in the future. We believe that these investments, these costs we have paid for during the first semester will have positive effects on future sales, both in the second semester and for the entire 2024.

On page 10, instead, we comment the new division called Mestieri... Here too, we are in line with the goals. We had announced we would reach 100 million, and we are very close to reach that target by the end of the year. In this semester, the strong growth recorded went from EUR 32 to EUR 48 million euros, therefore in line with the business plan of this division. The growth in the semester was 45.8%. Organic growth only accounts for 4%, while a significant growth of 42% was due to the acquisitions we mentioned earlier and the development of these fields. It is also worth considering that the growth of revenues in the first semester of 2022 was also driven by 14 million related to a restyling of a cruise ship. There was no refitting in the first part of the semester, maybe there will be some in the second part.

As for the EBIDTA, we go from 2.9 million to 2.4 million, so from 8.9% to 4.9%, with a negative performance of 19% mainly due to the fact that in the previous semester, as I said, there were significant refitting with important margins that influenced the first semester, while this new refitting will be carried out in the second part of the year. The lower profitability is also attributed to the costs for the enhancement of the Italian holding Mestieri and Mestieri USA, the two companies we have recently incorporated. They will generate significant revenues only in the second half of the year, as we have said, and mainly during 2024. These are the data about lower profitability during the semester.

Instead, if we go to page 11, we find the net profitability and the cash generation. As for the consolidated net result and the net margin, with the adjustments we mentioned before, the first semester went from 1 million to -1.8 million of for this year. The loss is mainly dictated by the aspects we mentioned before. Let's always remember that the adjustment is based on the credit write-down we had the previous year. As for the net result, an important aspect is the increase in debt, which we will maybe detail later, with an increase in the cost of the short-term component, indebtedness and therefore the increase in interest rates, which resulted in an impact of 2.4 million in net financial charges for the first half.

Cash generation was affected by the strong growth of volumes of orders that require initial investments on materials, and by the increase of works in progress which went up by about 17.3 million compared to December 31, 2022. The latter is an increase not only related to the turnover growth, but also to a delay of deliveries not attributable to our group. Certain orders, exclusively in the naval segment, due to agreements between

shipowners and shipyards, have experienced delays and delivery times have been extended by three months. This extension of ships' delivery times affected our group, that had planned the work to be done, and led it to have a delay in the delivery times of these orders. This extension of the delivery times has led to an extension in waiting times, which has led to absorb a significant amount of money during the first semester, as highlighted by the slides on page 11.

Another phenomenon affecting cash flow is the decrease in the first semester of 2023, compared to the first semester of 2022, in advanced payments of naval contracts. Usually, naval contracts have advanced payment. The fact of not having secured naval contracts in the first part of the year did not allow us to receive and record advanced payments.

Another phenomenon both of absorbing and generating cash, which influenced the EBITDA, is represented by higher costs associated with the digitalization project of our companies, concerning all information systems, reports, etc., that we had to pay for and clearly absorb at the cash level. They will all be one-shot effects.

Another aspect of cash generation has resulted in the significant investments made in marketing to enhance business, especially regarding Mestieri and the business facilities I mentioned before, but also Mestieri and Cooking in the USA, or the subsidiary in London, as far as Glazing is concerned.

The net financial position, on page 12, sees an evolution before IFRS from 54.3 million of December 31, 2022. The EBITDA in the first semester of 9.8 million, the change in net working capital of 12.2 million, investments of 0.6, the acquisition of 3.8 million related to Ceolin, the payment of dividends from minor companies of 2.9 million, and financial charges led us to a net financial position before IFRS 16 of EUR 70.4 million on June 30, 2023.

The composition of the net financial position, as you can see, is compared to December 31, 2022. The IFRS 16 liabilities are more or less in line with the prior year.

The most crucial aspect was the drop in liquidity from 54 million to 39 million, as a result of what has been said. There are new and more impactful managerial activities aimed at recovering margins in the second semester's strategy, which is definitely important.

The context always indicates interest rates rapidly increasing. Inflation remains strong, as previously said, with major effects on production factors, raw material and labour costs, and the tendency of the end customer to postpone the completion of ships contracts. This is definitely true for the first half of the year. Now that we are in the second half of the year, dates are a little more stable. The breakdown for the individual business areas and the first division of the naval sector and civil façades. The goal was to recover margins and profitability of existing orders in the portfolio. The focus on naval refitting, while growing compared to the previous year, has not yet reached the pre-2019 objectives. We expect to

expand and meet them in the second half of the year and go beyond them in 2024. The continuing renegotiation has also benefited the soft backlog.

These consequences will be evident in the second half of the year and in 2024, as well as the enhancing of project management in order to respond in an even more effective and timely way to these unanticipated changes in orders, to be increasingly attentive and accurate in planning, both in production and finance. In terms of professional kitchens, as I previously stated, the primary action will be to enhance commercial effort, while in the civil sector sales volumes must raise. We are well on track in terms of new products, particularly, in the American market, which we believe is a very important market for these items. Mestieri is now back on track on the project as a whole, for both Mestieri Srl and Mestieri USA. I'll leave to the Chairman a more detailed discussion about this division. On page 14 there are economic and financial objectives. We changed the guidelines we disclosed in March, adjusting them and making them more transparent. As for revenues, guidelines from March forecasted revenues for more than 360 million. With the new guidelines, revenues will exceed 360 million by far. We also confirm, included in the 360 million, 100 million from the Mestieri division.

We changed the EBITDA target, which still remains in the double digits increase and higher than what was reported in 2022, and now ranges between 26 and 29 million, clearly influenced by the factors I outlined previously: for example the Bluesteel's contracts, being this company not yet at full capacity. In the second half of the year, with an increase in refitting activities which have high margins, completing Mestieri orders that have high margins in the luxury industry, we will succeed to recover the EBITDA, staying within the range described above.

As for the net financial position, by rescheduling ships' deliveries deadlines, and agreeing with shipowners and shipyards upon no further delays orders in delivering ships, we plan to return to a range before IFRS 16 with a financial position between 40 and 50 million. Clearly, the impact of EBITDA will result in a beneficial outcome. We, as guidance, can confirm the distribution of a share of profits on the results. Chairman, I'll leave you the floor.

Oscar Marchetto: Everyone, good morning. We confirm the results of the strategy set at the end of 2021, which was the creation of these three divisions. As you can see, we continue to grow our revenue even facing a downturn. We are very happy with the Mestieri project. If there is one thing I can provide, it is positivity. The biggest positivity concerns the cruise segment, which crosses three divisions, namely the glazing, Cooking, and Mestieri. I'll give you some data. There will be 33 million travelers in 2023, compared to the absolute record of 29 in 2019. This suggests that the trend is highly positive because shipowners'

figures forecast about 38 million passengers in 2026 and 46 million passengers in 2030.

What exactly does this mean?

It means that during the years of the pandemic around twenty old ships were decommissioned. The fleet is currently unable to handle the paying passengers.

This means that shipowners are currently negotiating for new ships that will be built starting from 2027, where shipyards will have more work, 2027, 2028, 2029. To go from 29 million up to 46 million, they should build another 100 ships, as there are currently around 300 ships traveling. With an increase of 10 million passengers... you do the math.

Another important thing. Even luxury hotel brands such as Four Seasons are entering the market. There will be luxurious five-star hotels that sail. Even Lefebvre, working with Silversea, which owned luxury ships, and then sold it to Royal Caribbean... They are starting to use a new fleet of ships, so there is a lot of excitement and there will be a strong expansion in the following years.

Another critical aspect is the investment we made in the Cooking Professional, in the USA, with Pizza Group. We created Pizza Group USA, starting in 2022. In 2023 we attended two trade shows, one in Las Vegas and one in Los Angeles. The expectations for next semester are very positive, especially for 2024 because, as you know, the pizza oven is a special oven that produces more than 600 pizzas every hour. In USA, the most popular food is pizza. We have connections with huge distribution companies. We think 2024 will be a good year for Cooking Professional.

We're working on a the Host trade show, lasting from October 10th to October 15th, October's second week. At this International Fair of Professional Equipment for Cooking Professional we will display all the five companies belonging to the group with a single enormous stand. This is the first year of a combined group. We have established this Made in Italy excellence group, and we will represent expert kitchen producers in the worldwide food market. We're waiting for it, in 15 days.

What gives us satisfaction right now, as it has bigger numbers and expectations, it's the Mestieri project. We've announced it at the end of 2021. It has experienced significant growth in the United States, where we began with the branch in New York. We've already seen some results in Florida and New York's luxury retails. We are securing big contracts in both the USA and Europe, because those are the two continents where we work: old Europe and the USA. Europe makes us proud, particularly on extremely important projects such as luxury hotels and luxury retail. We improved Mestieri with Flavio Chiari, who joined us midway through the year and who has vast expertise in engineering and in the building industry. He also worked at Permasteelisa before joining EXA Group, where he saw everything that was on the other side of what we do in Mestieri to create luxury buildings. We have launched an important campaign, because in the coming years we would like Mestieri to become a brand that the final architect can choose to build his house or hotel.

That's what we started with this significant campaign, showing in lifestyle magazines, where our advertisement is: "I am Mestieri".

We then shared it on numerous social media networks. We started at the end of July, and we'll do it throughout the second half of the year. We've achieved amazing visibility outcomes and it's the start of Mestieri brand-building process.

There are the first synergies between the several Mestieri companies occur in 2023, there are now six of them. The synergies exist in both the USA and Europe, where the different companies cooperate to get certain contracts. As mentioned before, when dealing with companies such as Mestieri, or companies working with marble, bronze, metal, and so on, the know-how that this company developed over the years, 20, 30, 40 years, is then passed down to the other companies. So, the different knowledges gathered through the years generates business for every company.

We are looking to other possible transactions. Once financial conditions get better, we will be able to start our job. We aim to create new collaborations with other companies, even at a level of synergies. I think we have completed our vision for the coming years, and I would leave the floor over to you, if you have any questions. Thank you.

This is the Chorus Call operator. We will now begin the question-and-answer session. Anyone who wants to ask a question, type * followed by 1 on their phone. To exit the booking list enter * followed by 2. Please ask your questions using a handset. Anyone who wants to ask a question, type * followed by 1 now.

The first question is from Francesco Brilli of Intermonte.

Good morning. Thank you for taking my questions. The first is about the USA. Actually, the first two. Could you tell us something about the trends and what you expect, especially from Fabbrica, given the peculiar situation with interest rates in the USA? Speaking of USA, considering you invested in Mestieri, could you explain the progress you have accomplished? When do you expect to see the results of these investments?

A second question regards the long term. Considering the comment made about the start of the third quarter, can we expect during the second half of this year, and especially next year, that part of the lower profitability experienced in 2023 will be transferred in 2024, with the acquisition of new contracts? Thank you.

Alessandro Zanchetta: I'll start with the first question. As for Fabbrica, in terms of numbers, it has increased its revenues by 25% compared to the first half of 2022. In terms of margins, it respected the business plan. The American model of business has not been

affected by inflation, simply because when they get the contracts, they also hold the fare of raw materials and labour costs. As for companies, business in the USA has not declined, in the sense that, as previously stated, we have secured three or four significant contracts. We have received orders worthing EUR 180 million in this period. The segments where we work do not include the residential market, or markets which could be affected by interest rates. Our segments involve governmental buildings, schools, housing, luxury business facilities for pharmaceutical industries or multinational headquarters. We have not experienced any slowdowns or stops, mainly because these projects are likely already funded.

I'll answer to the question about the second semester, then I'll leave the floor to Oscar Marchetto, to talk about your first question. As for the second semester and 2024, as I previously stated, the consequences of these contracts that were still affected by inflation are being faced. We will undoubtedly see it in the second half of the year, and even more so in 2024, we have obtained contract adjustments, especially in the negotiation of new contracts. Unfortunately, in our business, the orders we're starting now will show their economic impact in the second semester and, most likely, in 2024. I can only speak about the naval and glazing segment, the most affected by this system. Based on the evidence of the contracts with an economic impact in the second semester, we think we'll rise margin by 2%. So, orders that had high costs prior to the Covid and the increase in raw materials are being fulfilled. We're starting with the orders we got after, or with contracts affected by adjustment.

Oscar Marchetto: Regarding the Mestieri project in USA, my answer is: "Sure". The knowledge that our American partner Alberto De Gobbi has in the field of building, and particularly in the world of architects, is impressive, as you can see by the order granted by Rolex. Once completed, we will also go inside, working on interiors. We have already got packages inside the Rolex building, and we are only getting started, because there is still work to be done. Then, a big luxury brand in Miami is cooperating with Mestieri. It's a big project, and we're only getting started. We started in January with these initiatives, and there are more on the way. The main thing to remember is that the profit from the interior design market is sometimes higher than an external contract signed with a factory.

Francesco Brilli (Intermonte): Thank you very much. Given the example of collaboration and synergy between Mestieri and Fabbrica, do you anticipate any further initiatives of this kind?

Oscar Marchetto: Yes, as I previously stated. Without a doubt.

Okay, thank you so much.

Next question is from Mario Coppola, from Stifel.

Good morning, everyone. Thank you for the presentation and the data, as well as the thoroughness of the data and the explanations. The first question is about margins, once more. What I'd like to know is whether the increase in margins that you expect in the second half, and clearly also in 2024, is uniform across all segments, or if it primarily comes from the sector of glazing, with the completion of older, low-margin contracts because of investments in Mestieri and Cooking. Should we expect a second half in which the improvement in margins comes primarily from the Glazing division? Or will it be mutual for the three divisions? Relating to this topic and looking to 2024, I have another question specifically for Mestieri and Professional Kitchen. Will the first semester's investment phase continue in the second semester, and then in 2024? Does the increase in margins that you predict in 2024 come from an increase in commercial outcomes or from the fact that perhaps this big investment phase that you embarked on this year is gradually coming to an end?

Last question is about debt, considering the huge increase in interest payments in the first semester. What are your debt-cost projections for the coming year? Can you also tell us what is the debt breakdown, in terms of fixed or variable interest rate, considering this interest rate scenario which has shifted consistently in recent months? Thanks.

Alessandro Zanchetta: Hi Mario, I'll start with the first question. As for the improvement in margins, I confirm that all three divisions will see a percentage increase in margins in the second semester, especially in 2024. Glazing will have the strongest impact, simply because of its significant turnover. It is also the most affected. We'll definitely see a two-percentage point improvement in margins, based on new offers. We have a new contract in the glazing segment, which we already disclosed, obtained by Bluesteel. We are also taking into considerations other orders with significant profitability. According to our forecast, regarding the USA, the margin will increase thanks to an important contract mentioned earlier by Oscar, in the luxury segment. It will lead us to improve this division. The Cooking division is affected by marketing costs and by the reorganization of productive and operational facilities, where we tried to concentrate the activities in single facilities, to benefit all the four segments.

Sales are already increasing significantly in this quarter. As Oscar was saying, presenting ourselves as a group and with new products might provide a significant boost and should help us grow sales and, as a result, profitability.

Without a doubt, Mestieri accounts for the majority of the economic output in the second half of the year. We'll complete our investments in business facilities and marketing, as Oscar mentioned, which we will no longer have in the second half of the year. In terms of margins, Mestieri will increase the average EBITDA from 4% of the first semester to 8-9%. In percentage terms, it's the division that will grow more.

Oscar Marchetto: I wanted to say something about Mestieri and our last operations. We had to arrange teams for social media, websites, communication, etc. We also formed the team in Mestieri, from the CEO to the technical manager, to the various project management, etc. So, in addition to deal with USA, we formed the team in order to create what Zanchetta mentioned earlier. About what you said about Cooking, this year we had three important fairs, two as Pizza Group USA and the Host trade show, which are crucial. Host is held every two years. As Pizza Group USA, these two fairs were useful to start the project, but also to create the product for America, in addition to the American team.

Alessandro Zanchetta: The third question, if I remember correctly, is about debt. Concerning the debt related to acquisitions, we established it with banks in March 2022, prior to the interest rate increase, and it is at a fixed rate, with some hedges. There are no concerns about interest rate growth. The short-term debt, which has increased significantly in the first half of the year, has increased due to our growth. We haven't been able to balance it with the invoices from our clients because we couldn't install our products onto the ships, although it's not our fault. Some contracts clearly state that you can send an invoice when you assemble your product. We decided to support our supply chain, this led us to pay all our suppliers for the material that we purchased on average three months before we needed it, and so this brought us to have a difficult net financial position in this first part of the year. Obviously, we will accomplish these activities in the second half of the year, respecting ships delivery dates. We are then going to send invoices and collect those money, so we should be able to recover. A 24% increase in our volumes, dictated primarily by order volumes, and not by product, leads to an increase in terms of inventory for work in progress, but not at first semester levels.

Mario Coppola (Stifel): Okay, thank you very much. If I may, I have another question, always about 2024. Since 2023 has been a gap year to complete all secured contracts, my question is this. In 2024, will the focus still be on Mestieri, in terms of targets and resources to be used for acquisitions in this segment? Or, as stated in

the past, are you thinking about enhancing the Professional Kitchen segment to provide it with a more complete and clear structure?

Oscar Marchetto: I'll take the question. In 2023, we completed the Ceolin transaction, so we did something. We also performed the transaction on Fabbrica minorities: at least two minor deals. In 2024, the goal is to expand and focus on the Mestieri project. Why? Because it is the one that has been more advertised, that provides us with instant results, it's the one with a story to tell and a world to conquer. The rush to build and create this brand is quite strong, in order to achieve the goals we set up. Reaching these goals is kind of endless, because the more you grow, the more you need companies in the same sector. Artisans cannot be denatured by turning them into industrialists. We must preserve artisans' DNA. If our revenue increases significantly, we must compensate with other companies in the same industry. Your question is appropriate. Once Mestieri is completed, we will have to work hard to reinforce the professional kitchen division and expand our portfolio, because there are other products in this segment that must be included in this project. Definitely not in 2024.

Next question is from Gabriele Parenti of Algebris Investments.

Good morning and thank you for answering my question. I wanted to dive a little deeper into the subject of production costs' increases, which appears to be countertrend to the comments we have heard from other companies, that are finding some respite. I wanted to go over this topic with you a bit more in depth. Can you go into detail? Thanks.

Alessandro Zanchetta: When we talk about production costs, let's remember that we are a labour-intensive company, so personnel is a big part of the costs...

Do all of our businesses produce?

Yes, we design, produce, and install. The inflation, that we somewhat predicted, but not in these terms, concerns the increase in personnel costs. Aside from the increases mandated by contractual reasons, severance pay, etc., keep in mind that we have important and specialized personnel, and with the volumes of contracts we have, we must keep with us the best. Maybe not now, but especially in the first part of the year, retaining specialized and loyal personnel has decreased our margins. Part of the investments we're making, in terms of production costs, relates to new junior professionals in order to deal with the large increase in turnover and orders. We can boost turnover by increasing skilled employees. As you can see, we don't need capex to enhance our turnover. Every

investment is in people. Then there are all the effects of inflation, the adjustment of rental contracts, the adjustment of lease contracts and of all factors linked to the inflation rate, which we may have forgotten about until a few years ago, maybe 10 years. Instead, in terms of raw materials, they are no longer growing, this is true. They are dropping, though not as strongly as we thought. However, the price of oil, and thus of transportation, continues to rise. The dollar is strengthening, and this affects the processing of aluminum, not only its purchase. All these factors, together with raw materials and everything relating to it, i.e., total production costs, have a strong impact on the contracts.

For installation tasks, we employ on average 300-400 employees. They usually come from eastern Europe. If you don't pay them properly, they'll come back to their countries. You can't systematically foresee these events. We have acknowledged this and are considering for future contracts to account for this impact. Since inflation will not peak and will decrease as they predicted six months ago, but in a few years, we must take this into consideration.

Oscar Marchetto: I'll explain this. It takes about a year to lay the products across a construction site, both naval and civil. Usually, we project to purchase raw materials and start working. If I lay the products during the first six months of 2023, that means I began purchasing it in 2022. The impact on raw materials was large in 2022. We are also using up all that inventories and completing the order backlog where cost was a major concern. Even if we observe a cost decrease now, we're facing consequences related to when we first purchased materials. Do you get what I mean?

Gabriele Parenti (Algebris): Yes, thank you. May I ask a quick question unrelated to what I'm currently discussing? In your presentation, you identified delays in several shipyards that were not caused by your group. Can you confirm that the situation is slightly improving?

Alessandro Zanchetta: The planning of ship contracts began a year ago, at a time when shipowners' conditions regarding new ships and the potential increase in cruise passengers were uncertain. New regulations will be introduced to address concerns related to ship occupancy. They had plenty of time to observe the evolution of the cruise industry before the next ships arrived. Let's keep in mind that when ships are delivered to shipowners, they are required to pay entirely for it. Agreements between shipowner and shipyards delayed the delivery of some ships, postponing it from June to September, resulting in an average delay of three months. This applies to all four major shipyards where we are now operating.

Four or five months ago, they began delivering ships with a delay of three months from the

original schedule. Why? As previously mentioned by the Chairman, the cruise industry is expanding, and passenger volumes are increasing. Everyone forgot about the Covid. Cruise ships are no longer limited to operating at 60% capacity; they can now fill them to 100%. Certain ships were decommissioned during Covid, leading to cancellations, sales, or removal from shipowners' plans, amounting to approximately thirty ships. Now, with the cruise industry reviving, shipowners are indicating their intention to confirm the delivery dates for these ships, and they are negotiating new ones. They confirmed agreed delivery dates for the second semester, even for the first semester of 2024. All the ships we are currently purchasing have confirmed delivery dates. We no longer risk delays or postponing.

Thank you very much.

In certain shipyards, both we and the shipowner may face penalties in the event of ship delivery delays. We've meticulously scheduled our project activities, production processes, and installations to ensure timely completion. If we deviate from this schedule, we might face penalties. For instance, if I choose to take the risk of not purchasing materials, assuming the ship will arrive late, I might incur fines if I fail to complete the work on time. We chose to purchase the materials earlier, even at a financial cost, to ensure that we comply with contractual obligations. As key players in certain activities, we must be sure to adhere to the terms of the contract.

This issue related to the EBIDTA has led some company, including competitors, to lose interest in the naval segment. Shipyards are no longer approaching them, possibly due to financial constraints or an inability to handle these challenges. Meanwhile, our leadership in certain sectors is getting more and more solid, and we are confident that this will benefit us in terms new orders.

Next question is from Andrea Bonfà of Banca Akros.

Good morning, everyone. Basically, they've already asked what I wanted to ask. I'm just curious about something. Regarding refitting, you mentioned that it was lighter in the first half compared to last year, with one less order. Looking ahead, can we make any assumptions about what you will do in the second half of this year and perhaps in 2024-2025? Do you expect to work more in the refitting segment? Moving on to my second question, based on the information we have from Fincantieri, it seems that Virgin Cruise is facing major issues. We're curious if you have any contracts, particularly with regard to Virgin Cruise, that need to be completed. Thanks.

Oscar Marchetto: I'll start. Virgin has reached an agreement with an investment fund, based on the statements of Fincantieri. They've already secured the fourth ship, and everything looks great, according to the latest information from Fincantieri sources. Regarding future strategies for refitting, there's a major issue and an exciting opportunity. Ships need to be equipped with sustainable engines, such as hydrogen or other sustainable substances, by 2050. They will also need to stop for a month to replace the propulsion system. Ships will travel in fleets of four, five, or ten per year over the next 20 years. The advantage is that the ship will undergo extensive refitting during that month. Sustainability entails great chances for refitting for the next 10 to 15 years in all three divisions, namely glazing, interior design and Cooking Professional. I'll leave the floor to Alessandro, for numbers.

Alessandro Zanchetta: Speaking of refitting, maybe I didn't explain myself well before. The impact I mentioned was related to the Mestieri division, a company that also specializes in interior design for the naval sector. Mestieri completed refitting projects worth approximately EUR 14-15 million during the first half of 2022, with very high margins, which had an influence on the first half results. This year, Mestieri is doing some major refitting projects, but in the second half of the year. Occasionally, for companies working in the refitting segment, margins may not appear as optimal when viewed on a semester basis, unless considered within the context of the entire year. There are some relevant refitting projects, ranging from EUR 14 million over six months to EUR 4-5 million over three months or EUR 3 million over one month. The duration depends on when these projects are scheduled. We try to assess the timing for these companies with unique requirements. In terms of numbers, even though refitting experienced a 60% growth compared to the previous semester, it's still early in the year, and we anticipate continued expansion at a similar rate. However, 2022 was not a particularly good year for refitting. Our reference year will always be the one before Covid. It never happened before, but we've already received significant orders for 2024. We believe that 2024 will far surpass the number of refitting projects in 2019. There was a year when ships were completely halted. They resumed operations last year, but the focus was primarily on maintenance. Shipowners are now planning major refitting projects for the second half of this year, especially for 2024, which we see as a pivotal year in terms of refitting.

Thank you very much.

Oscar Marchetto: Thank you all. Have a nice day. Goodbye.