SOMEC GRUPPO

ANNUAL REPORT 2023


SOMEC
GRUPPO

INDICE

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DIRECTORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

LETTER FROM THE CHAIRMAN TO SHAREHOLDERS

Dear Shareholders,

2023 was a year that brought considerable satisfaction to the Somec Group, but also fresh challenges, which we faced up to with great determination.

Once again, stability was not helped by the general economic and geopolitical context.
The Russia-Ukraine and Middle East conflicts, combined with tensions among major trading powers, contributed to a climate of uncertainty in international markets. This was compounded by significantly rising inflation, leading central banks to counter price hikes by raising interest rates. The combination of these and other factors helped to create an extremely complex and rapidly evolving picture. It is clear that the ability to adapt and respond to these challenges will continue to be a key factor for the future of our economies and businesses.

Looking in particular at Somec, I am pleased to say that our business model has proven to be a success. The reorganization of our business into three Business Units is now complete, allowing us to focus energy and resources on core business, with measurable results in all areas of activity. Following on from the success of Mestieri, we decided to give names to the other two Business Units. Engineered systems for naval architecture and building façades became "Horizons", while Professional kitchen systems and products was christened "Talenta".

Thanks to the soundness of strategies put in place and the constant commitment of our team, we have remained highly competitive, causing the turnover of our Group to grow by 12.8%, reaching 371 million Euro in 2023, notwithstanding the complexity of the situation described above.

In greater detail, Horizons posted revenues of 214.6 million Euro, 10.8% up on 2022 (193.6 million Euro). This progress was favored by growing new building and refitting activities as well as the dynamism of the civil glazing market in the United States.

Revenues for the Talenta division were down slightly, by 7.2% to 60.8 million Euro compared with 65.5 million Euro in the previous year. This trend is due to a slight slowdown in the production of kitchen systems for the naval sector, plus a drop in volumes of bespoke professional kitchens and refrigeration products. On a brighter note, there was a rise in revenue for the industrial pizza oven sector from higher volumes, thanks in part to penetration in the US market.

Finally, Mestieri posted a significant hike in revenues, up 37.3% to 95.7 million Euro, thanks to thriving projects and activities in the European market and the contribution of recent acquisitions.

The Group's total order book also allows us to look to the future with confidence: the backlog at 31 December 2023 stood at 752.4 million Euro, of which 26.2% relating to option contracts.

Despite these good performances, 2023 was also marked by two extraordinary, non-recurring events that had an impact on our margins and net result. EBITDA fell to 18.2 million Euro, compared to 23.2 million Euro in 2022, and the year ended with a loss of 10.4 million Euro.

The first non-recurring item relates to an order from the subsidiary Total Solution Interiors Srl. We incurred significantly higher costs than expected due to some critical issues arising during the execution phase. A second extraordinary event concerned the subsidiary Bluesteel Srl which, as the financial year came to an end, revised some variants relating to a contract signed in 2019, incurring higher costs not recognized by the client. These circumstances prevented us from achieving the goals that we had set ourselves and communicated to the market as guidance for the year.

We know that we have taken all the measures needed to remedy these issues, including an internal reorganization and significant investments in processes and their digitization. I might mention, for example, the development of the "IT – Digital Transformation" project, entailing the adoption of a next-generation cloud ERP. The steps taken will ensure our gradual recovery, and results will already be seen this year.

Looking ahead to the future, the likely macroeconomic situation in coming months means we will focus mainly on further consolidating our activities.
For the Horizons division we are counting on a progressive stabilization of raw material costs, with a return to pre-pandemic levels. We have every confidence in our growth potential, given the burgeoning naval and construction sectors, in the United States in particular, where our presence through overseas subsidiary Fabbrica offers significant opportunities. For Talenta too the progressive drop in commodity costs will favor a general recovery of the business and allow this division to fully express its potential. As far as Mestieri is concerned, the desire for Made in Italy all over the world daily confirms the soundness of our intuition. We therefore expect business to grow further, driven by luxury segments and the US market.

The great Steve Jobs held perseverance to be one of the most important virtues for an entrepreneur, and I can but agree with him. I am convinced that investing one's time and thoughts in a long-term project is essential for those in our profession. It is with this spirit that we will continue to lead the Somec Group towards achievable and increasingly ambitious goals.

Thank you,

Oscar Marchetto
Chairman of Somec S.p.A.

INTRODUCTION

The Parent Company, Somec S.p.A. has prepared a single Directors' Report for both the separate financial statements of Somec S.p.A and the consolidated financial statements of the Group, as permitted under article 40, paragraph 2a of Legislative Decree No. 127 dated 09/04/91 approved by the Board of Directors on 27 March 2024. The consolidated financial report was drawn up in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union. "IFRS" also includes all amended International Accounting Standards ("IAS") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

ALTERNATIVE PERFORMANCE INDICATORS

Somec's management measures the performance of the Group and its business units partly based on some performance indicators not required by IFRS. More specifically, EBITDA and EBIT are used to measure the Group's profitability.

As required by Consob Notice no. 0092543 of 3 December 2015, which transposes the ESMA/2015/1415 guidelines on alternative performance indicators, the components of each indicator are described below:

- **EBT** is obtained by adding income taxes to net result for the period, as reported in the financial statements
- **EBIT** is obtained by adding to EBT net financial income/expense, i.e. the sum of financial income and charges, net exchange rate gains and losses and net income from associates to income before taxes
- **EBITDA** is obtained by adding amortisation, depreciation and other write-downs to EBIT, as reported in the financial statements
- **EBITDA margin** is obtained from the ratio of EBITDA to the sum of Revenues from contracts with customers and Other revenues and income
- **Backlog** is the residual value of the orders that have yet to be completed. This amount accounts for the difference between the total nominal value of an order (including additions or modifications) on a certain date and the value on the same date of revenues from contracts with customers relating to orders associated with such contracts
- **Backlog under Option** is the total value of the contractual options on orders that are held but have yet to be exercised by customers on a certain date
- **Total Backlog** is the sum of Backlog and Backlog under option
- **Net 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

Alessandro Zanchetta
Director and Executive Officer

Giancarlo Corazza
Director and Executive Officer

Davide Callegari
Director and Executive Officer

Gianna Adami
Lead Independent Director

Elena Nembrini
Independent Director

Giuliana Borello
Independent Director

The term of office of the Board of Directors ends with the approval of the financial statements as at 31 December 2025.

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

Barbara Marazzi
Alternate Auditor

The term of office of the Board of Statutory Auditors ends with the approval of the financial statements as at 31 December 2025.

MANAGER RESPONSIBLE FOR PREPARING FINANCIAL REPORTS

Federico Puppin

COMMITTEES

Gianna Adami (Chairman), Elena Nembrini and Giuliana Borello
Remuneration and Appointment Committee

Elena Nembrini (Chairman), Gianna Adami and Giuliana Borello
Control, Risk and Sustainability Committee

Gianna Adami (Chairman), Elena Nembrini and Giuliana Borello
Related party 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 ADVISORS

TWIN
somec@twin.services

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: Horizons: engineered systems for naval architecture and building façades; Talenta: professional kitchen systems and products; Mestieri: design and production of bespoke interiors. 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:

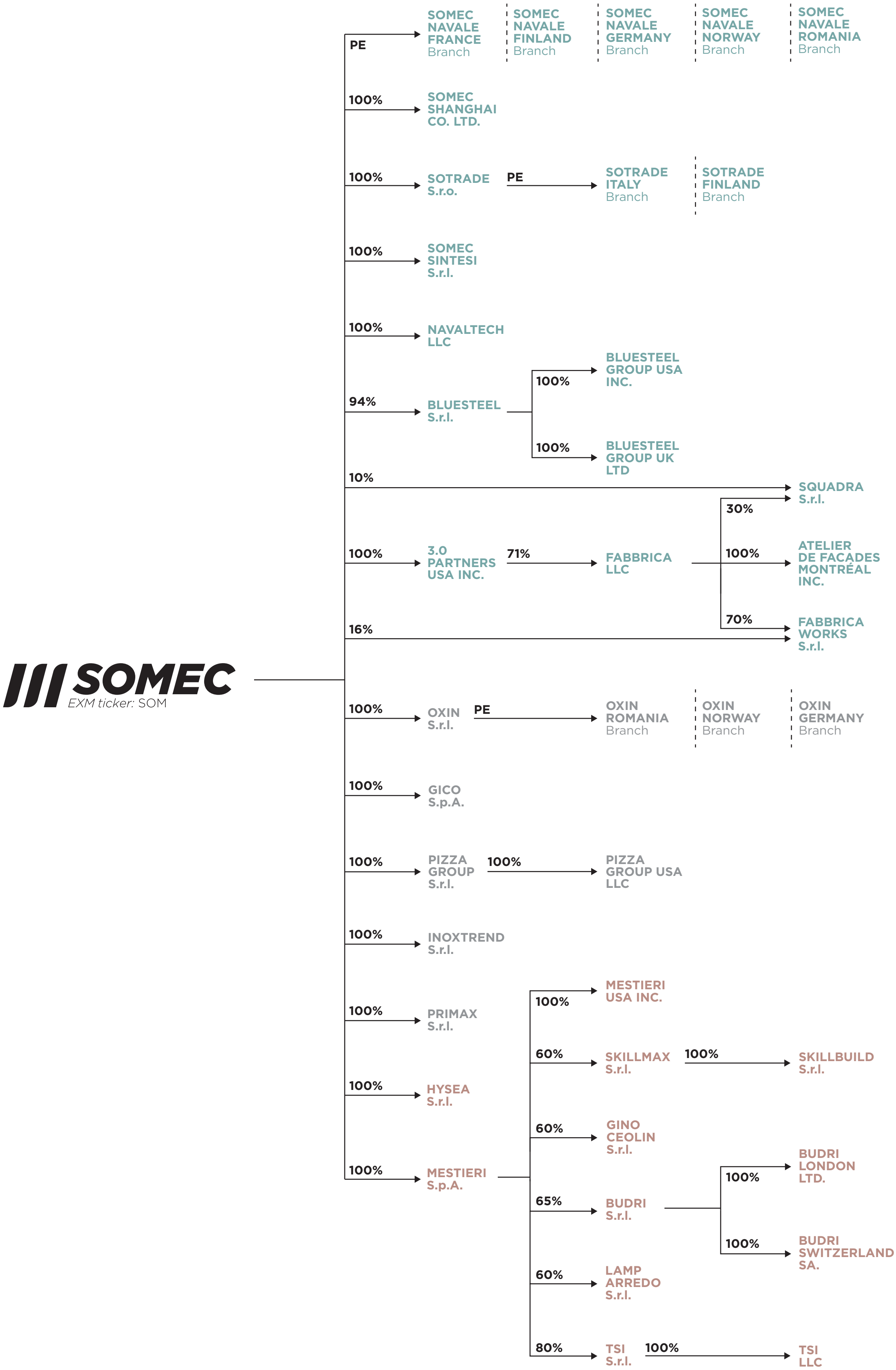
- **Horizons: engineered systems for naval architecture and building façades**
  The Somec Group is one of the largest players in Europe and North America regarding the design, careful selection of materials, production, installation and maintenance of innovative solutions and original engineered systems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

- **Talenta: 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**
  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 2023.



- HORIZONS: ENGINEERED SYSTEMS FOR NAVAL ARCHITECTURE AND BUILDING FAÇADES
- TALENTA: PROFESSIONAL KITCHEN SYSTEMS AND PRODUCTS
- MESTIERI: DESIGN AND PRODUCTION OF BESPOKE INTERIORS

PE: Permanent Establishment

BUSINESS SEGMENTS

HORIZONS

Engineered systems
for naval architecture
and building façades

SOMEC NAVALE

SOMEC NAVALTECH

SOMEC SINTESI

FABBRICA

FABBRICA WORKS

AFM

bluesteel

SQUADRA

TALENTA

Professional
kitchen systems
and products

SOMEC OXIN

GICO

INOXTREND

PIZZAGROUP

PRIMAX

OXIN

MESTIERI

Design and
production of
bespoke interiors

SOMEC TSI

BUDRI®

CEOLIN

lamparredo

SKILLMAX

SCOPE OF CONSOLIDATION

As at 31 December 2023 the scope of consolidation includes the following companies directly or indirectly owned by Somec S.p.A.:

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)	94% (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.p.A.	San Vendemiano (TV)	100%	Euro	3,000,000
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
Somec Sintesi S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
Somec Shanghai Co., Ltd	Shanghai (Cina)	100%	CNY	4,734,222
Sotrade S.r.o.	Piestany (Slovacchia)	100%	Euro	92,380
Indirectly owned subsidiaries				*(currency unit)*
Atelier de Façades Montréal Inc.	Montréal (Canada)	70.90%	CAD	100
Bluesteel Group UK Ltd	Londra (UK)	94% (1)	GBP	100
Bluesteel Group USA Inc.	New York (USA)	94% (1)	USD	10,000
Budri S.r.l.	Mirandola (MO)	65% (2)	Euro	3,000,000
Budri London Ltd	Londra (UK)	65% (2)	GBP	10,000
Budri Switzerland SA	Lugano (CH)	65% (2)	CHF	100,000
Fabbrica LLC	Delaware (USA)	70.90%	USD	6,250,000
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	65.63% (3)	Euro	100,000
Gino Ceolin S.r.l.	Mogliano Veneto (TV)	60% (4)	Euro	50,000
Lamp Arredo S.r.l.	Quinto di Treviso (TV)	60% (5)	Euro	100,000
Mestieri USA Inc.	Delaware (USA)	100%	USD	10,000
Pizza Group USA LLC	Houston (USA)	100%	USD	10,000
Skillmax S.r.l.	San Biagio di Callalta (TV)	60% (6)	Euro	500,000
Skillbuild S.r.l.	San Biagio di Callalta (TV)	60% (6)	Euro	20,000
Total Solution Interiors S.r.l.	Cantù (CO)	80% (7)	Euro	100,000
Total Solution Interiors LLC	Miami (USA)	80% (7)	USD	293,034
Associate subsidiaries				*(currency unit)*
Squadra S.r.l.	Pieve di Soligo (TV)	31.10%	Euro	41,500

During the period under review, on 25 January 2023 Somec S.p.A. finalised the acquisition of 60% of the share capital of Gino Ceolin S.r.l. through its direct subsidiary Mestieri S.p.A. (formerly Mestieri S.r.l.). The company was fully consolidated over the entire yearly period.

On 26 July 2023 Somec S.p.A. completed the reorganisation of the company, which was already indirectly controlled, Fabbrica Works S.r.l., directly acquiring 16% of the share capital, bringing its controlling share – direct and indirect – to 86%.

On 18 September 2023 Somec S.p.A. signed a deed of sale with one of the minority shareholders of the company Bluesteel S.r.l., with a view to transferring to Somec S.p.A., without a cash contribution, 34% of the relative share capital. At the closing date of the financial statements, therefore, the Parent Company's equity interest rose from 60% to 94% of the share capital.

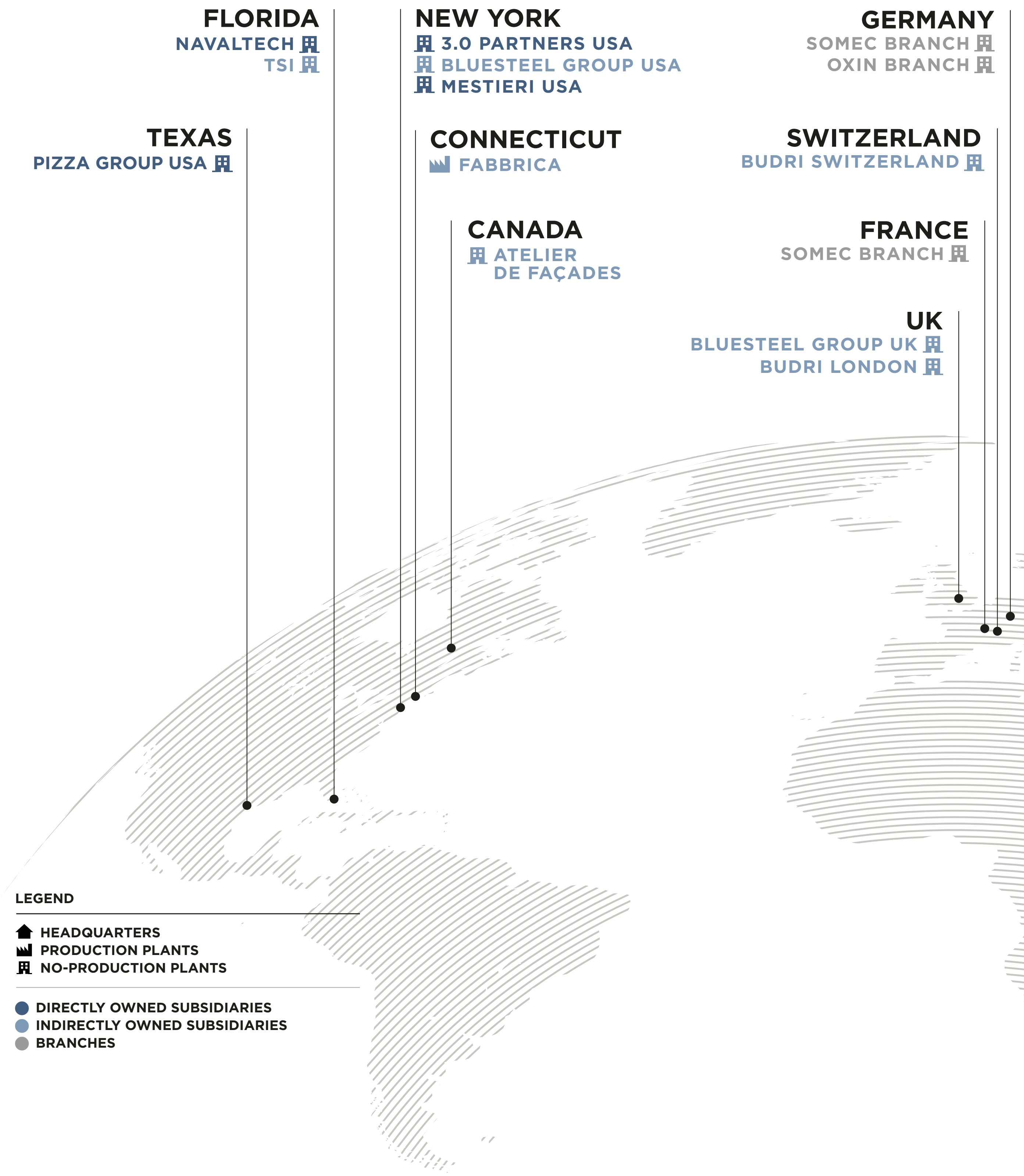
On 04 December 2023 Somec S.p.A. completed, through its direct subsidiary Mestieri S.p.A., the acquisition of 40% of the share capital of US company Mestieri USA Inc. from the independent shareholder 2.0 Partners LLC. Following this agreement, Mestieri S.p.A. raised its controlling interest from 60% to 100% of the share capital, thus becoming the sole shareholder of the American company.

On 29 December 2023, as part of a reorganization of the Group, and in particular of the “Mestieri” division, the Shareholders' Meeting of Mestieri S.r.l. resolved to increase the share capital from a nominal 100 thousand Euro to a nominal 3,000 thousand Euro. The share capital increase was offered for subscription to the sole shareholder Somec S.p.A. The relative quota was paid and settled by contribution in kind to Mestieri S.r.l. of the shareholding held by the Parent Company in the companies Skillmax S.r.l. and Total Solution Interiors S.r.l. As a result of this operation, the legal form of Mestieri S.r.l. was changed into a joint-stock company, and took on the company name Mestieri S.p.A. At the closing date of these financial statements, Mestieri S.p.A. holds 60% of the share capital of Skillmax S.r.l. and 80% of the share capital of Total Solution Interiors S.r.l.

(1) The acquisition of Bluesteel S.r.l. includes an option (Put and Call) for the purchase of the remaining 6% 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 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.
(3) 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC and 16% is directly owned by Somec S.p.A. 65.63% is the related indirectly owned stake held by Somec S.p.A. as at 31.12.2023.
(4) The acquisition of Gino Ceolin 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 within 90 days of the approval of the financial statements as of 31 December 2026. Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place.
(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.
(6) The acquisition of Skillmax 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%. The option can be exercised starting from May 2027 and by April 2028.Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place
(7) The acquisition of Total Solution Interiors S.r.l. includes an option right between the parties (Put and Call option) for the purchase of the minority interest for the remaining 20%. The option can be exercised starting from 2022 and by December 2024. 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), Mirandola (MO) and Mogliano Veneto (TV).

ITALY

SOMEC GRUPPO HQ
SOMEC NAVALE

- BLUESTEEL
- BUDRI
- GINO CEOLIN
- 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 2023

Completion of Gino Ceolin S.r.l. acquisition
On 25 January 2023, Somec S.p.A. completed, through its direct subsidiary Mestieri S.p.A., the acquisition of 60% of the share capital of the company Gino Ceolin S.r.l., a company specializing in the construction of bespoke metal carpentry works for exteriors and interiors, aimed in particular at the high-end retail, hospitality and residential sectors. With this transaction the company joined the Somec Group through subsidiary Mestieri S.p.A. to expand the Group's offering of specialist services for top-quality Italian construction projects and thus strengthen its bespoke high-end interiors design and creation BU.

Renewal of governing bodies
The Shareholders' Meeting of Somec S.p.A. met on 04 May 2023 to:

- set the number of members sitting on the Board of Directors at seven and fixed the term of office of the new Board at three financial years, i.e. until the Shareholders' Meeting approving the financial statements for the year ending 31 December 2025. The following were elected as members of the Board of Directors: Oscar Marchetto, Alessandro Zanchetta, Giancarlo Corazza, Davide Callegari, Gianna Adami, Elena Nembrini, Giuliana Borello. The Shareholders' Meeting also appointed Oscar Marchetto as Chairman of the Board of Directors

- appoint the Board of Statutory Auditors, which will remain in office until the Shareholders' Meeting approving the Financial Statements for the year ending 31 December 2025. Its members include: Michele Furlanetto (Chairman), Annarita Fava (Standing Auditor), Luciano Francini (Standing Auditor), Lorenzo Boer (Alternate Auditor), Barbara Marazzi (Alternate Auditor)

Appointment of the CEO of Mestieri S.p.A.
On 5 June 2023, Flavio Chiari was appointed Chief Executive Officer of Mestieri S.p.A., the parent company of the "Mestieri: Design and Production of Bespoke Interiors" BU.
The appointment follows on the Group's objective of strengthening the internal managerialisation process and accelerating the Group's growth path, with Mestieri acting as a key enabler.

Adoption of the Multiple Voting Regulations
The Shareholders' Meeting of 4 May 2023 amended the Articles of Association, partly for the purpose of introducing the so-called multiple voting right. By approving the amendment to Article 6 of the Articles of Association, the Shareholders' Meeting resolved to allocate up to two votes for each share owned by the same shareholder for a continuous period of not less than twenty-four months from the date of registration in the so-called Special List to be created by Somec S.p.A.
On 22 June 2023, in compliance with the above resolution, the Somec S.p.A. Board of Directors approved the adoption of multiple voting Regulations, and at the same time agreed to the creation of the Special List of shareholders that intend to take advantage of multiple voting rights.

Reorganisation of Fabbrica Works S.r.l.
On 26 July 2023, Somec S.p.A. has completed the operation aimed at reorganisation of Fabbrica Works S.r.l., a company currently indirectly controlled through its American subsidiary Fabbrica LLC and established at the time to support the latter's commercial growth on the main reference markets from a technical and productive standpoint.

Following this agreement, Fabbrica Works S.r.l. acquired ownership of the company complex it has been using so far under a lease agreement, while Somec S.p.A. directly acquired 16% of the capital of Fabbrica Works S.r.l., bringing its direct and indirect controlling interest to 86%.

Finalisation of the agreement with one of the minority shareholders of Bluesteel S.r.l.
On 12 September 2023, Somec S.p.A. entered into an agreement with one of the minority shareholders of subsidiary Bluesteel S.r.l. to settle a litigation pending before the Court of Venice – Business Court – for breach of representations and warranties issued on behalf of Somec S.p.A. at the time of the sale of the 60% interest in Bluesteel S.r.l., as approved by the Parent's Board of Directors at its meeting of 14 July 2023. Under this agreement, the sale by the minority shareholder to Somec S.p.A. of the remaining 34% stake in Bluesteel that it owned – without payment of a cash consideration by Somec S.p.A. – was also finalised on 18 September 2023. Following the completion of the transaction, Somec S.p.A. reached 94% of Bluesteel share capital. The minority shareholder also paid – upon settlement – the amount of 850 thousand Euro to Somec S.p.A..

Somec strengthens synergies between companies in the Professional kitchen systems and products BU: establishment of Talenta
On 13 October 2023 Somec S.p.A. announced that the "Professional kitchen systems and products" BU would be called "Talenta". With the new setup, some of the more technical production activities will be enhanced and made available to all Talenta companies. Similarly, some across-the-board strategic services were centralized, including purchasing, marketing and R&D, with the aim of intensifying in-house synergies, offering increasingly integrated solutions and further strengthening Somec's market position.

Completed acquisition of Mestieri USA Inc.
On 4 December 2023 Somec S.p.A. completed, through its direct subsidiary Mestieri S.p.A., the acquisition of 40% of the share capital of US company Mestieri USA Inc. from the independent shareholder 2.0 Partners LLC. Following this agreement, Mestieri S.p.A. raised its controlling interest from 60% to 100% of the share capital, thus becoming the sole shareholder of the American company.

Increase in share capital in Mestieri S.p.A.
On 29 December 2023, as part of a reorganization of the Group, and in particular of the "Mestieri" operating segment, the Shareholders' Meeting of Mestieri S.r.l. resolved to increase the share capital from a nominal 100 thousand Euro to a nominal 3,000 thousand Euro. The share capital increase was offered for subscription to the sole shareholder Somec S.p.A. The relative quota was paid and settled by contribution in kind to Mestieri S.r.l. of the shareholding held by the Parent Company in the companies Skillmax S.r.l. and Total Solution Interiors S.r.l. As a result of this operation, the legal form of Mestieri S.r.l. was changed into a joint-stock company, and took on the company name Mestieri S.p.A. At the closing date of these financial statements, Mestieri S.p.A. holds 60% of the share capital of Skillmax S.r.l. and 80% of the share capital of Total Solution Interiors S.r.l.

AFTER YEAR END 2023

Exceeding covenants under a pool loan agreement
Based on the economic and financial data, it was found that the covenants under a medium- and long-term pool loan agreement entered in fiscal 2022 with three leading banks were exceeded. This loan requires compliance with economic/financial parameters, or 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). Based on the figures as of 31 December 2023, both parameters were not met. Therefore, the company promptly initiated talks with the financing institutions to meet the conditions for obtaining a special waiver from them, by the time the consolidated financial statements are approved by the Board of Directors. As of today's date, the waiver has been obtained.

At the date of drafting this report, the Directors believe that, despite failing to meet the conditions of the covenants, the liquidity, available credit lines and cash flows that will be generated by the operations of Group companies will be adequate to fulfil our obligations over the next twelve months. Further to these considerations, the Directors believe that no significant uncertainties exist, therefore they have prepared these financial statements on a going concern basis.

ORDER BACKLOG

The Group's total backlog[1] stood at 752 million Euro as at 31 December 2023, compared to 934 million Euro as at 31 December 2022, of which 26% under option, covering the 2024-2031 time horizon.

The decline is linked to the delay in the assignment of new orders by shipowners who, thanks to the strong recovery of passenger volumes and profit levels, are expected to restart investing in new production capacity, with new orders in 2024.

The latter aspect particularly affected the backlog of the "Horizons: engineered systems of naval architecture and building façades" division, which stood at 484 million Euro (666 million Euro at 31 December 2022). "Talenta: professional kitchens systems and products" (153 million Euro, from 159 million Euro at 31 December 2022) and "Mestieri: design and production of bespoke interiors" (115 million Euro from 109 million Euro previously) divisions were virtually stable.

It should therefore be noted that the backlog is expected to be an increasingly less significant performance gauge in view of Somec's expansion into businesses that involve more fragmented work lasting less than twelve months.

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

TOTAL BACKLOG BY YEAR-PERIOD (MILLION EURO)

31.12.2020	31.12.2021	31.12.2022	31.12.2023
767	921	934	752

The following chart shows the total Backlog (as at 31 December 2023) breakdown by scheduled delivery year.

TOTAL BACKLOG BREAKDOWN BY SCHEDULED YEAR (% OF TOTAL)

2024	2025	2026	2027	2028	2029	2030	2031
41.3%	21.9%	15.8%	12.5%	4.3%	2.4%	1.6%	0.2%

(1) Total Backlog: Backlog plus Backlog under option, as described in the introduction to Alternative Performance Indicators.

The table below summarises the composition of the total backlog by division:

TOTAL BACKLOG BREAKDOWN BY BUSINESS DIVISION (% OF TOTAL):			
Horizons: engineered systems for naval architecture and building façades	**Talenta: professional kitchen systems and products**	**Mestieri: design and production of bespoke interiors**	**Total**
64.3%	20.4%	15.2%	100.0%

The table below briefly illustrates the backlog broken down by the shipping companies making orders for new vessels.

BACKLOG BY CRUISE OPERATOR (%)							
A	**B**	**C**	**D**	**E**	**Others ancillary**	**Backlog not related to cruise operator**	**Total**
16.3%	13.2%	10.1%	9.0%	7.4%	10.9%	33.1%	100%

SOMEC GROUP OPERATING PERFORMANCE

RESULTS

Below is the reclassified consolidated income statement as at 31 December 2023 and 31 December 2022.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT	2023	%	2022	%	Δ%
Revenue from contracts with customers	367,658	99.1%	325,616	99.0%	12.9%
Other revenues and income	3,386	0.9%	3,228	1.0%	4.9%
Total revenues	**371,044**	**100.0%**	**328,844**	**100.0%**	**12.8%**
Materials, services and other costs	(289,827)	-78.1%	(249,774)	-76.0%	16.0%
Personnel costs	(63,036)	-17.0%	(55,834)	-17.0%	12.9%
Operating costs	**(352,863)**	**-95.1%**	**(305,608)**	**-92.9%**	**15.5%**
EBITDA	**18,181**	**4.9%**	**23,236**	**7.1%**	**-21.8%**
Depreciation and amortisation	(18,028)	-4.9%	(20,345)	-6.2%	-11.4%
EBIT	**153**	**0.0%**	**2,891**	**0.9%**	**-94.7%**
Net financial income (expenses)	(11,430)	-3.1%	(2,041)	-0.6%	460.0%
Net results from associate companies	85	0.0%	87	0.0%	-2.3%
EBT	**(11,192)**	**-3.0%**	**937**	**0.3%**	**-1,294.5%**
Income taxes	818	0.2%	(1,394)	-0.4%	-158.7%
Consolidated Net Result	**(10,374)**	**-2.8%**	**(457)**	**-0.1%**	**2,170.0%**
Non-controlling interests	1,273	0.3%	1,295	0.4%	-1.7%
Group Net Result	**(11,647)**	**-3.1%**	**(1,752)**	**-0.5%**	**564.8%**

Amounts in €/000

The Group's **consolidated economic situation** at 31 December 2023 showed revenues of 371 million Euro, up 42.2 million Euro from 328.8 million Euro at 31 December 2022 (a rise of 12.8%, of which 2.65% relating to a favourable exchange rate effect).
Organic growth based on the same perimeter[(2)] was 9.2%, and was driven in particular by the strong growth of the "Mestieri: design and production of bespoke interiors" segment (+23.2%) and the "Horizons: engineered systems for naval architecture and building façades" segment (up 10.8% year-on-year).

(2) The perimeter takes into account the companies that contributed to the income statement for the whole of 2023 and 2022, and therefore does not include the companies Gino Ceolin S.r.l. (acquired in January 2023), Lamp Arredo S.r.l. (acquired in October 2022) Budri S.r.l., Budri Switzerland SA, Budri London Ltd (acquired in July 2022).

The growth in external lines was driven by actions to strength the "Mestieri: design and production of bespoke interiors" segment, through the acquisitions of Budri S.r.l. and Lamp Arredo S.r.l. in the second half of 2022, and of Gino Ceolin S.r.l., completed in January 2023, which resulted in a further positive effect on Group revenues in 2023, a rise of 27.8 million Euro, contributing 7.5% of total annual revenues.

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

TOTAL REVENUES BREAKDOWN BY GEOGRAPHIC AREA		
	2023	**2022**
Europe (including Italy)	54.1%	53.8%
North America	38.8%	35.6%
Rest of the World	7.1%	10.6%

EBITDA for 2023 amounted to 18.2 million Euro, a decrease of 21.8% compared to 23.2 million Euro in the previous year. Notwithstanding a significant revenue performance, the EBITDA margin fell to 4.9%, compared to 7.1% for the same period in 2022, which had also been influenced by the updating of the lifetime margin of current orders, linked to the increase in raw material and energy costs. In all three BUs there has been a reduction in profit margins, attributable to different phenomena occurring during the year.
In particular, the "Mestieri: design and production of bespoke interiors" segment was impacted in 2023 by the lower-than-expected performance of one of the subsidiaries engaged in the construction of interiors for the shipbuilding sector, having suffered from rising costs when fulfilling some orders concluded in the latter part of the year. The same segment was also impacted by the cost of strengthening Mestieri S.p.A. and US subsidiary Mestieri USA Inc., established in order to seize growth opportunities in the US market.
With regard to the "Horizons: engineered systems for naval architectures and building façades" segment, the drop in margins is mainly attributable to the negative results recorded by the subsidiary Bluesteel S.r.l., active in the glazed facades sector in the European market, linked to losses recorded on contracts signed before the acquisition of the company by the Somec Group.
In general, EBITDA was also affected by a further and widespread increase in production costs, whose inflationary phenomena had already been highlighted in the first half of 2023.

Personnel expenses as at 31 December 2023 amounted to 63 million Euro, compared to 55.8 million Euro at 31 December 2022, with a cost/revenue ratio (17%) in line with the previous year. This item was affected by: i) the effect of the acquisitions of Budri S.r.l., Lamp Arredo S.r.l. and Gino Ceolin S.r.l., which led to an increase in the number of employees and consequently in the cost item; ii) the increase in the workforce at Fabbrica LLC.

Depreciation, amortisation and write-downs amounted to 18.0 million Euro, compared to 20.3 million Euro as at 31 December 2022, dropping 11.4%.
At 31 December 2022, this item was affected by significant provisions for doubtful receivables totalling 1.9 million Euro relating to two foreign customers. Write-downs of receivables for the year amounted to 0.9 million Euro, while other write-downs amounted to 0.8 million Euro, and relate to the adjustment of the fair value of a building held for sale (0.4 million Euro) and recording of the impairment loss relating to the CGU Professional Cooking Equipment (0.4 million Euro)

Consolidated **EBIT** at 31 December 2023 stood at 0.2 million Euro, compared to 2.9 million Euro at 31 December 2022.

The item **Financial income (expenses)** was negative to the tune of 11.4 million Euro at 31 December 2023 compared to a negative value of 2 million Euro at 31 December 2022.
It is noted that the year in question was impacted by the negative net effect of 5.2 million Euro deriving from the remeasurement of financial payables for exercising Put & Call options for the acquisition of minority and Earn Out shares in subsidiaries. The remeasurement of fair value takes into account expected results in coming years, and factors in the growth rates expected for some companies in the strongly expanding "Mestieri" Business Unit.
This item was also affected by financial charges related to the increase in gross debt, and by the rising cost of the short-term component thereof.

The **Consolidated Net Result** of -10.4 million Euro compared to -0.5 million Euro in 2022.

Group Net Result stood at -11.6 million Euro, compared to -1.8 million Euro in 2022.

Non-controlling interests for the period was positive at 1.3 million Euro stable compared to 2022.

TRENDS OF SINGLE DIVISIONS

Below is a summary of the key income statement figures for the three divisions as at 31 December 2023 and 31 December 2022.

31 DECEMBER 2023	Horizons: engineered systems for naval architecture and building façades	Talenta: professional kitchen systems and products	Mestieri: design and production of bespoke interiors	Total
Total revenues	214,587	60,766	95,692	**371,044**
EBITDA	11,900	3,629	2,652	**18,181**
EBITDA margin	5.5%	6.0%	2.8%	**4.9%**
EBIT	2,712	999	(3,559)	**153**
EBIT margin	1.3%	1.6%	-3.7%	**0.0%**

Amounts in €/000

31 DECEMBER 2022	Horizons: engineered systems for naval architecture and building façades	Talenta: professional kitchen systems and products	Mestieri: design and production of bespoke interiors	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

Total revenues per Business Unit showed the following performances:

- the **Horizons: engineered systems for naval architecture and building façades** division posted revenues of 214.6 million Euro as at 31 December 2023, showing an increase of 10.8% compared to 193.6 million Euro as at 31 December 2022. The favorable performance, in line with that of the entire Group, is the result of positive trends for new construction in the civil sector by Fabbrica LLC, as well as the increase in shipbuilding. With regard to the latter business, there was a significant increase in refitting activities, which practically doubled compared to the previous year, bearing witness to the resumption of activities by shipowners

- the **Talenta: professional kitchen systems and products** division posted revenues of 60.8 million Euro as at 31 December 2023, showing a decrease of 7.2% compared to 65.5 million Euro as at 31 December 2022. This fall is attributable to a slight slowdown in the production of kitchen systems for the naval sector and to a reduction in volumes for the bespoke professional kitchens and refrigeration product lines. On a brighter note, there was a rise in revenue for products related to industrial pizza ovens which, thanks in part to penetration in the US market, posted an increase in volumes

- the **Mestieri: design and production of bespoke interiors** division posted a strong increase in revenues in 2023 (+37.3%), totalling 95.7 million Euro, compared to 69.7 million Euro as at 31 December 2022. Compared to 2022, the BU expanded its scope thanks to the acquisitions of Budri S.r.l. and Lamp Arredo S.r.l. in the second half of 2022, and Gino Ceolin S.r.l., which was acquired in January 2023. The growth of external lines thus brought 13.2 million Euro in additional revenues, a contribution of 13.8% to operations. The organic growth of the segment was +23.2%, contributing 13.4% to total 2023 revenues

EBITDA margin per Business Unit showed the following performances:

- the **Horizons: engineered systems for naval architecture and building façades** division reported an EBITDA of 11.9 million Euro at 31 December 2023, 0.5 million Euro down on the figure for 31 December 2022 (-4.3%), with an EBITDA margin of 5.5%, compared to last year's figure of 6.4%. The decline is mainly attributable to a fall in margins in the civil building sector, affected by losses that emerged for some orders of the subsidiary Bluesteel S.r.l. and by a slight fall in margins in the façade sector in the US. The glazing part of the naval sector, on the other hand, showed a recovery in margins, thanks to increased refitting works and higher relative margins

- the **Talenta: professional kitchen systems and products** division posted an EBITDA of 3.6 million Euro at 31 December 2023, 1.6% down on the figure of 5.2 million Euro at 31 December 2022, with a margin of 6% of revenues, compared to 7.9% in the previous period. Inside this BU Oxin's cruise orders performed well, however this only partially offset the fall in margins recorded by other companies in the division

→ the **Mestieri: design and production of bespoke interiors** division generated EBITDA to the extent of 2.7 million Euro (or 2.8% of revenues) as at 31 December 2023, compared to 5.6 million Euro as at 31 December 2022 (or 8.0% of revenues). The drop in margins is mainly attributable to the negative impact recorded in the marine interiors sector as a result of a shipbuilding order concluded in the latter part of the year, for which the complexities of the execution phase led to a large and unexpected increase in costs. The contribution of the newly acquired companies Budri S.r.l., Lamp Arredo S.r.l. and Gino Ceolin S.r.l. in terms of margins was favorable, confirming the development and diversification strategy for external lines promoted through the Mestieri project. The lead company, Mestieri S.p.A., and the newly established Mestieri USA Inc., despite having start-up costs to deal with, posted positive and constantly growing margins during the year.

STATEMENT OF FINANCIAL POSITION

The following is the reclassified consolidated statement of financial position as at 31 December 2023 and 31 December 2022.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31/12/2023	31/12/2022
Intangible assets	55,143	59,517
of which Goodwill	37,423	36,699
Tangible assets	19,109	20,893
Right-of-use assets	23,936	27,387
Investments in associates	339	351
Non-current financial assets	257	233
Other non-current assets and liabilities	(792)	(5,138)
Employee benefits	(5,841)	(5,130)
Net fixed assets	**92,151**	**98,113**
Trade receivables	73,511	84,152
Inventory and payments on account	23,699	26,213
Contract work in progress	36,200	27,285
Liabilities for contract work in progress and customer advances	(49,052)	(43,215)
Trade payables	(73,357)	(79,324)
Provisions for risk and charges	(1,086)	(1,322)
Other current assets and liabilities	3,202	6,828
Net working capital	**13,117**	**20,617**
Net Invested capital	**105,268**	**118,730**
Group equity	(18,213)	(31,993)
Non-controlling interest in equity	(2,748)	(4,817)
Net financial position	(84,307)	(81,920)
Sources of funding	**(105,268)**	**(118,730)**

Amounts in €/000

Net non-current assets amounted to 92.2 million Euro at 31 December 2023, down from 98.1 million Euro a year earlier.

Net working capital stood at 13.1 million Euro, down by 7.5 million Euro, compared with 20.6 million Euro as at 31 December 2022.
The main changes are due to: i) a significant fall in trade receivables as a result of the strategy to improve working capital, partly through the assignment of receivables held without recourse to leading shipyards; ii) an increase in contract work in progress, mitigated by the rise in liabilities for contract work in progress and advance payments from customers, and by a drop in inventory. The effect of these three items on revenues was slightly positive compared to the previous year, confirming the increasing attention paid to the timing of the final analysis and billing of advances; iii) a fall in trade payables, coming down to normal levels for the sector; (iv) a fall in other current assets and liabilities due to the lower incidence of advance payments to suppliers.

Shareholders' equity for the Group amounted to 18.2 million Euro at 31 December 2023 compared to 32 million Euro at 31 December 2022. The change is mainly attributable to the result for the period and the negative change in conversion reserves.

NET FINANCIAL POSITION

Consolidated net financial position is composed as follows:

CONSOLIDATED NET FINANCIAL POSITION			
		31/12/2023	**31/12/2022**
A.	Cash and cash equivalents	46	71
B.	Bank deposits	46,916	54,273
C.	**Total liquidity (A+B)**	**46,962**	**54,344**
D.	**Current financial assets**	**21,888**	**4,608**
E.	Current bank debt	(35,356)	(27,756)
F.	Current portion of long-term debt	(62,432)	(14,881)
G.	Other current financial liabilities	(4,467)	(740)
H.	**Current financial position (E+F+G)**	**(102,255)**	**(43,377)**
I.	**Current net financial position (C+D+H)**	**(33,405)**	**15,575**
J.	Non-current financial assets	631	2,383
K.	Non-current bank debt	(12,842)	(61,094)
L.	Other non-current financial liabilities	(14,512)	(11,129)
M.	**Non-current financial position (J+K+L)**	**(26,723)**	**(69,840)**
N.	**Net financial position before IFRS 16 (I+M)**	**(60,128)**	**(54,265)**
O.	**IFRS 16 – Lease impact**	**(24,179)**	**(27,655)**
	Current portion	(5,188)	(4,757)
	Non-current portion	(18,991)	(22,898)
P.	**Net financial position (N+O IFRS 16 impact)**	**(84,307)**	**(81,920)**

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 2023, including the effect of IFRS 16, stood at 84.3 million Euro, compared to 81.9 million Euro as at 31 December 2022.

The increase in the consolidated net financial position at 31 December 2023, compared to 31 December 2022, of 2.4 million Euro, was mainly the result of: i) a reduction in operating cash flow deriving from the loss of margins during the year, albeit mitigated by a better working capital management strategy; ii) the effect of flows deriving from investment activities, in particular the acquisition by Mestieri S.p.A. of 60% of the share capital of Gino Ceolin S.r.l., for a total of 3.8 million Euro (of which: 1.2 million Euro relating to the payment of the 60% shareholding; 1.9 million Euro relating to the exercising of the options and earn out for the purchase of minority shares; 0.7 million Euro of financial payables for leasing); iii) the disbursement of dividends of 3.1 million Euro paid by Fabbrica LLC to its minority shareholders.

Group Net Financial Position, excluding the effects of the application of IFRS 16, stood at 60.1 million Euro as at 31 December 2023, up by 5.8 million Euro from 54.3 million Euro posted as at 31 December 2022.

The reclassified consolidated statement of cash flows as at 31 December 2023 and 31 December 2022 is shown below.

CASH FLOW STATEMENT	31/12/2023	31/12/2022
Cash flows from operating activities	125	13,967
Cash flows from investing activities	(4,340)	(13,681)
Free Cash Flow	**(4,215)**	**286**
Cash flows from financing activities	(2,321)	5,204
Effect of exchange rate changes on cash and cash equivalents	(846)	1,209
Net cash flow	**(7,382)**	**6,699**
Cash and cash equivalents at the beginning of the period	**54,344**	**47,645**
Cash and cash equivalents at the end of the period	**46,962**	**54,344**

Amounts in €/000

Cash flow from **operating activities** was essentially zero (Euro 0.1 million), and is mainly attributed to the fall in margins during the year, as well as the increase in negative flows deriving from the increase in interest costs.

Cash outflow for **investment activities** amounted to 4.3 million Euro, and refers to investments in plant and machinery and payment of the price for business acquisitions.

Cash flow for **financing activities** was negative to the extent of 2.3 million Euro, mainly due to the repayment of medium/long-term loans and the distribution of dividends to minority shareholders of Fabbrica LLC which took place during the year 2023.

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. as at 31 December 2023 compared to the income statement for 2022.

RECLASSIFIED INCOME STATEMENT

	2023	%	2022	%	Δ%
Revenues from contracts with customers	88,276	96.1%	81,918	96.3%	7.8%
Other revenues and income	3,609	3.9%	3,129	3.7%	15.3%
Total Revenues	**91,885**	**100.0%**	**85,047**	**100.0%**	**8.0%**
Materials, services and other costs	(74,337)	-80.9%	(66,977)	-78.8%	11.0%
Personnel costs	(15,915)	-17.3%	(15,593)	-18.3%	2.1%
Operating costs	**(90,252)**	**-98.2%**	**(82,570)**	**-97.1%**	**9.3%**
EBITDA	**1,633**	**1.8%**	**2,477**	**2.9%**	**-34.1%**
Depreciation, amortisation and impairment	(2,316)	-2.5%	(2,703)	-3.2%	-14.3%
EBIT	**(683)**	**-0.7%**	**(226)**	**-0.3%**	**202.2%**
Net financial income (expenses)	(12,229)	-13.3%	(3,945)	-4.6%	210.0%
Income from associates	4,173	4.5%	1,933	2.3%	115.9%
EBT	**(8,739)**	**-9.5%**	**(2,238)**	**-2.6%**	**290.5%**
Income taxes	454	0.5%	(554)	-0.7%	-181.9%
Tax rate	5.2%		-24.8%		
Net Result	**(8,285)**	**-9.0%**	**(2,792)**	**-3.3%**	**196.7%**

Amounts in €/000

Total revenues in 2023 amounted to 91.9 million Euro, 8% up on 2022, confirming the growth in new shipbuilding and resumption of refitting activity.

EBITDA (or gross operating profit) stood at 1.6 million Euro, with an EBITDA margin of 1.8%, 1.1 percentage points down on the previous year's figure.
In general, the year-on-year decline continues to be due to the negative effect generated by the increase in production costs, referring in particular to the prices of raw materials and energy, especially in the first half of the year. Inflationary trends also led to an update of estimated whole-life costs of contracts and resulting margins. These factors are compounded by higher personnel costs (up 2.1% compared to the previous year) due to new hires.

Depreciation, amortisation and impairment, totalling 2.3 million Euro, decreased by 14.3% over the previous period, as the significant provisions for risks and charges booked in 2022 (0.6 million Euro) no longer applied.

EBIT (or Operating Profit) came in at -0.7 million Euro, compared to -0.2 million Euro in the previous period, such a decrease being due to the reasons as explained earlier with reference to EBITDA.

The balance for the item **financial income and expenses** was -12.2 million Euro in 2023 compared to -3.9 million Euro in 2022, and was affected by significant write-downs resulting from impairment tests on the value of equity investments, totaling 13 million Euro (4.5 million Euro in 2022), as well as increased interest costs due to increased debt.
This increase was mitigated however by financial hedges in place on medium/long-term loans amounting to 1.2 million Euro.

The balance of the item relating to **equity investment income and expenses** rose as a result of higher dividends received compared to 2022, collected by the subsidiaries Oxin S.r.l. for 2.5 million Euro, Navaltech LLC for 0.8 million Euro and Somec Sintesi S.r.l. for 0.8 million Euro.

The net loss of -8.3 million Euro for 2023 showed a sharp fall from the previous year's figure (-2.8 million Euro) due to the item financial income and expenses.

The **reclassified statement of financial position** as at 31 December 2023, compared with the statement of financial position as at 31 December 2022, is as follows:

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

	31/12/2023	**31/12/2022**
Intangible assets	52	100
Tangible assets	1,124	1,126
Right-of-use assets	10,222	9,860
Investments in subsidiaries and associates	41,533	40,404
Non-current financial assets	30,503	36,664
Other non-current assets and liabilities	360	(600)
Employee benefits	(322)	(364)
Net fixed assets	**83,472**	**87,190**
Trade receivables	18,581	24,342
Inventory and payments on account	6,016	8,950
Contract work in progress	17,543	18,178
Liabilities for contract work in progress and customer advances	(6,334)	(4,205)
Trade payables	(25,560)	(30,063)
Provisions for risks and charges	(351)	(351)
Other current assets and liabilities	1,131	1,129
Net working capital	**11,026**	**17,980**
Net invested capital	**94,498**	**105,170**
Shareholders' equity	(20,547)	(30,513)
Net financial position	(73,951)	(74,657)
Sources of funding	**(94,498)**	**(105,170)**

Amounts in €/000

The significant fall in **net fixed assets** is mainly due to the effect of the recapitalization of some subsidiaries, waiving loans disbursed during 2023 and previous years.

Net working capital underwent a fall of 7 million Euro, due mainly to: i) a significant reduction in trade receivables as a result of the strategy to improve working capital, obtained in part through the sale, on a non-recourse basis, of receivables held with the main shipyards; ii) a reduction in work in progress on orders and an increase in related liabilities, as well as a reduction in inventories, confirming the increasing focus on the timing of accounting and invoicing of work progress; iii) a drop in trade payables, bringing levels back to the norm for this sector.

The drop in **shareholders' equity** mainly reflects the negative contribution made by the result for the year and the change in the cash flow hedge reserve.

Net financial position is composed as follows:

NET FINANCIAL POSITION			
		31/12/2023	**31/12/2022**
A.	Cash	2	1
B.	Bank deposits	8,771	7,452
C.	**Total liquidity (A+B)**	**8,773**	**7,453**
D.	**Current financial assets**	**10,478**	**3,542**
E.	Current bank debt	(20,783)	(18,256)
F.	Current portion of long-term debt	(58,291)	(10,975)
G.	Other current financial liabilities	-	(7)
H.	**Current financial position (E+F+G)**	**(79,074)**	**(29,238)**
I.	**Current net financial position (C+D+H)**	**(59,823)**	**(18,243)**
J.	Non-current financial assets	513	2,000
K.	Non-current bank debt	(4,715)	(48,996)
L.	Other non-current financial liabilities	(238)	-
M.	**Non-current financial position (J+K+L)**	**(4,440)**	**(46,996)**
N.	**Net financial position before IFRS 16 (I+M)**	**(64,263)**	**(65,240)**
O.	**IFRS 16 – Lease impact**	**(9,688)**	**(9,417)**
	Current portion	(1,721)	(1,505)
	Non-current portion	(7,967)	(7,912)
P.	**Net financial position (N+O IFRS 16 effect)**	**(73,951)**	**(74,657)**

Amounts in €/000

The **net financial position** was practically unchanged compared to 31 December 2022.
Changes worthy of mention are in particular: i) current financial receivables, referring for 6.8 million Euro to receivables from factoring companies sold on a non-recourse basis; ii) financial payables for new disbursements which, net of the repayment of the capital quota for the period, rose by 5.4 million Euro; iii) 1.7 million Euro reduction in the fair value of active derivatives.

The change in cash and cash equivalents between 31 December 2023 and 31 December 2022 is shown in the following table:

CHANGE IN CASH AND CASH EQUIVALENTS	
Cash and cash equivalents at 31/12/2022	**7,453**
Cash flows from operating activities (A)	4,323
Cash flows from investing activities (B)	(6,451)
Cash flows from financing activities (C)	3,448
Increase (decrease) in cash and cash equivalents (A+B+C)	**1,320**
Cash and cash equivalents at 31/12/2023	**8,773**

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.

INFORMATION ON THE ENVIRONMENT AND PERSONNEL

Somec is sensitive to environmental issues, aware of the deep interconnection between the environment and other sustainability aspects. The Group is accordingly aware of the setting in which companies in its perimeter operate and, for aspects related to both Human Resources and the environment, the Somec Group – whose parent company is ISO 14001 certified – is pursuing the goal of transferring and increasing sensitivity to the entire Group.
Thanks to the strong and rapid expansion of the perimeter, deriving from the pursuit of a growth strategy for acquisitions that resolutely relies on the supervision of reference sectors, the Group's companies still rely sometimes on heterogeneous practices and procedures, due in part to the diversity of their production processes. In order to respect and protect the environment, Environmental and Sustainability policies set out to accelerate the process of unification and harmonization, while leaving individual companies free to achieve common goals through their own specific procedures, which are sometimes determined by the different contexts in which companies operate. Following the positive reconfirmation of ISO 14001 by Bluesteel S.r.l., in 2023 Oxin S.r.l. obtained ISO 14001 certification and have drawn up a Quality and Environment Policy that stresses the desire to direct its scope of action towards reducing the use of natural resources, reducing energy consumption and fostering lifelong training, in order to prevent environmental pollution and improve the Environmental Management System. Likewise, Budri S.r.l. has embarked on the path to ISO 14001 certification, being committed to obtaining it in 2024.

As a demonstration of its commitment, and following the path of strengthening Governance, initiated in 2021, the Group has drawn up and adopted the so-called Policy on diversity and inclusion of the workforce in 2023, with which it:

- ➔ has laid down the three founding elements of the policy, namely diversity and equal opportunities, non-discrimination and meritocracy
- ➔ promotes respectful conduct among its employees, focused on the values of inclusion, inviting reports on any discrimination observed in the company or during the performance of their work
- ➔ values diversity in all its forms and assesses any risks related to the occurrence of discrimination within the Company

With reference to second-level collective bargaining, in 2023 a supplementary contract was also stipulated for Pizza Group S.r.l. and Primax S.r.l.; the previously signed contracts for Somec S.p.A. and Oxin S.r.l. employees remained in force.

These contracts are designed to recognize production benefits and/or bonuses, including tax and contribution advantages, to improve people's living and working conditions and increase their sense of belonging to the Company. With these contracts the parties involved - workers' trade unions and the company - are able to supplement the reference CCNL (collective labor agreement) with added measures, including: i) granting of favorable economic advantages to employees suffering from serious diseases and requiring leave time; ii) establishment of a Business Observatory, shared with the RSUs (company's union representatives), dealing in particular with issues relating to health and safety in the workplace; iii) incentives for parental equality; iv) childcare support; v) establishment of the solidarity hour bank; vi) contributions to reward increased schooling and excellent results achieved by employees' children; vii) measures for advance payments of severance pay; viii) further supplementary pension measures; ix) a performance bonus, based on income, productivity and quality objectives with the right to opt for Welfare Credit.

HUMAN RESOURCES

As at 31 December 2023, the Group’s headcount amounts to 1,031 employees including members of the project management, marketing and sales teams (around 12%), general office staff (roughly 14%), research and development, engineering (approximately 13%) and manufacturing (about 61%) personnel. Compared to the figure posted as at 31 December 2022, the average workforce grew by 79 resources, corresponding to a 8% increase, mainly due to the acquisitions of Gino Ceolin S.r.l., which took place during 2023, and the increase in the workforce of Somec S.p.A. and Fabbrica LLC.

OWNERSHIP OF THE COMPANY

As at 31 December 2023, 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%), Alessandro Zanchetta (10.0%) and Giancarlo Corazza (8.7%). 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 reporting period, Parent Company Somec S.p.A. held 11,934 treasury shares, 0.17% of the share capital, following the treasury share purchase programme launched at the previous years.
The remaining 24.44% is float, accounting for 1,686,031 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 2023 and income and expenses from related party transactions in the year 2023, please see the relevant section of the notes to the interim condensed financial statements.

TREASURY SHARES

Somec S.p.A. has launched a number of treasury share buyback schemes based on the authorisation resolutions approved in previous years.
On 4 May 2023, the Shareholders' Meeting approved the proposal of the Board of Directors and authorised the Board of Directors, subject to revocation of the previous authorisation granted on 29 April 2022, for the part not yet executed, to purchase and dispose of treasury shares up to a maximum of 5% of the share capital and for a maximum period of eighteen months.
In principle, the authorisation to purchase and dispose of treasury shares is granted with the aim of providing Somec S.p.A. with a flexible process that helps to pursue some of the purposes compatible with the laws and regulations in force and, specifically, to: (i) hold treasury shares to be used to underpin the "2021-2025 Long-Term Variable Incentive Scheme"; (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; (iii) use treasury shares to service bonds or other debt instruments convertible in Somec S.p.A.'s shares; (iv) use treasury shares to service any incentive plans, either for a consideration or free of charge, reserved to directors and/or employees and/or collaborators of Somec S.p.A. or its Group; (v) carry out any other extraordinary transactions on the share capital (including any reduction thereof through the cancellation of treasury shares, subject to the requirements of the law); and (vi) provide the shareholders with an additional instrument to monetise their investment.
As part of these schemes and net of the allocations made to service the incentive scheme, at 31 December 2023 Somec S.p.A. held a total of 11,934 treasury shares, i.e. 0.17% of its share capital, worth 361 thousand Euro.

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

KEY FIGURES	
Share Capital	Euro 6,900,000.00
Ordinary shares issued	6,900,000
Treasury shares	11,934
ISIN	IT0005329815
Market	Euronext Milan
Ticker	EXM: SOM
Bloomberg	SOM:IM
Minimum lot	1
Specialist	Intermonte SIM S.p.A.

As at 29 December 2023, the official closing price of Somec shares was 28.50 Euro (-12,3% compared to the closing value as at 30 December 2022, i.e. 32.50 Euro).
The market capitalisation as at 31 December 2023 is 196,650 thousand Euro (compared to 224,250 thousand Euro as at 31 December 2022).

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

Over the past few years, the macroeconomic backdrop has been filled with uncertainty.
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, which continued throughout the 2023 financial year.

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.
Among significant events in 2023, mention must be made of the recent Israeli-Palestinian conflict, which might have effects on international logistics and demand.

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. In any case, the Group constantly monitors the evolution of the macroeconomic environment and its impact on business.

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, as well as unforeseen events in orders, due to a change in the purchasing conditions of raw materials (for example prices, availability, timing of order fulfilment).
There are no certainties that the backlog and backlog under option could actually generate the expected revenues, cash flows or margins, or generate them to the extent and within the expected time, as unforeseen events may occur over time which could affect the backlog and backlog under option, such as, for example, failure or delay in fulfilment of contract agreements, change in orders, additional costs or unforeseeable events which may have a significant impact on the contracts included in the backlog and hence on the related activities, as well as on the Group's economic and financial situation.
Although the Group is exposed to this risk, which is inherent to the naval sector and has been exacerbated by the current macroeconomic backdrop, 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.
With regard to the absence of customer concentration, it is noted that in this sector no operator accounts for more than 16.3% 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 sector of the Horizons: Engineered Systems for Naval Architecture and Building Façades division, for example, is less exposed to such risks, in view of both the product sector and the extreme fragmentation of the customer base.

OPERATIONAL RISKS RELATED TO THE INTEGRATION OF NEWLY ACQUIRED COMPANIES

The external growth of Somec, through acquisitions, exposes the Group to operational risks deriving from the integration of newly acquired companies in terms of adaptation to Group policies, alignment of local organizational setups to the standards of the Parent Company, effectiveness of internal communication and adaptation to operational and management control best practices

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 among the main risks, 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.
It is noted that some existing medium/long-term loans require compliance with economic/financial parameters, or covenants, to be calculated annually based on the results of the consolidated financial statements (specifically: net financial debt/EBITDA and net financial debt/equity).

RECONCILIATION OF RESULT AND SHAREHOLDERS' EQUITY

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 31.12.2023	Profit/(loss) for the year 2023	Net equity 31.12.2022	Profit/(loss) for the year 2022
Group Parent equity and profit/(loss)	**20,547**	**(8,285)**	**30,513**	**(2,791)**
Share of subsidiaries' equity and results for period attributable to the Group, after deducting carrying value of the investments	(28,223)	12,863	(17,884)	7,035
Consolidation adjustments for:				
• *difference between purchase price and corresponding book equity*	*25,565*	*(11,972)*	*18,509*	*(4,266)*
• *dividends from consolidated companies*	*-*	*(4,230)*	*-*	*(1,933)*
• *translation differences*	*23*	*-*	*466*	*-*
Other adjustments	301	(23)	389	203
Group net equity and profit/(loss)	**18,213**	**(11,647)**	**31,993**	**(1,752)**
Non-controlling interests	2,748	1,273	4,817	1,295
Total net equity and profit/(loss)	**20,961**	**(10,374)**	**36,810**	**(457)**

Amounts in €/000

BUSINESS OUTLOOK

The Group foresees, for the Horizons operating segment, on the one hand a gradual stabilisation of raw material costs, with returns to pre-Covid levels, and on the other hand a growth in refitting activities. For the same operating segment, moreover, the current fiscal year will see the end of the negative effects associated with the activities of the subsidiary Bluesteel S.r.l., the management of which has been entrusted to new management figures.

The Talenta operating segment a general recovery in business, and aided by a gradual decrease in raw material costs, is expected to return to high performance levels.

For the Mestieri operating segment, also supported by a general return to favourable raw material costs, further business development is expected, driven in particular by the luxury segments and the U.S. market, as well as the effects of a new organization starting with the already completed appointment of a general manager in Total Solution Interiors S.r.l., and the adoption of new ERP and PLM for process management and performance monitoring.

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

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	31/12/2023	31/12/2022
Non-current assets			
Property, plant and equipment	1	19,109	20,893
Intangible assets	2	55,143	59,517
Right-of-use assets	4	23,936	27,387
Investments in associates	5	339	351
Non-current financial assets	6	888	2,616
Deferred tax assets	7	7,529	4,024
Total non-current assets		**106,944**	**114,788**
Current assets			
Inventory and contract assets	8	59,899	53,498
Trade receivables	9	73,511	84,152
Other receivables	10	15,283	18,417
Tax receivables	11	4,358	4,166
Other current financial assets	12	21,888	4,608
Cash and cash equivalents	13	46,962	54,344
Total current assets		**221,901**	**219,185**
Total Assets		**328,845**	**333,973**

Amounts in €/000

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31/12/2023	31/12/2022
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	(8,240)	5,540
Total Group net equity	**14**	**18,213**	**31,993**
Non-controlling interests	14	2,748	4,817
Total net equity	**14**	**20,961**	**36,810**
Non-current liabilities			
Loans and financing	15	12,842	61,094
Other non-current financial liabilities	16	33,503	34,026
Other non-current liabilities		759	669
Provisions for liabilities and charges	17	1,086	1,322
Net defined-benefit obligations	18	5,841	5,130
Deferred tax liabilities	7	7,562	8,493
Total non-current liabilities		**61,593**	**110,734**
Current liabilities			
Trade payables	19	73,357	79,324
Other current liabilities	20	14,647	13,084
Liabilities for contract work in progress and customer advances	21	49,052	43,215
Loans and financing	15	97,788	42,638
Other current financial liabilities	16	9,655	5,497
Income tax liabilities	22	1,792	2,671
Total current liabilities		**246,291**	**186,429**
Total liabilities		**307,884**	**297,163**
Total Liabilities and Shareholders' Equity		**328,845**	**333,973**

Amounts in €/000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
	Note	**2023**	**2022**
Revenues from contracts with customers	23	367,658	325,616
Other revenues and income	24	3,386	3,228
Revenues		**371,044**	**328,844**
Raw materials and consumables		(167,046)	(146,009)
Employee benefit expenses	25	(63,036)	(55,834)
Depreciation, amortisation and other write-downs	26	(18,028)	(20,345)
Other operating costs	27	(122,781)	(103,765)
Operating profit (EBIT)		**153**	**2,891**
Financial expenses	28	(14,997)	(3,288)
Financial income	28	4,902	790
Other income (and expenses)	29	(1,335)	457
Income from associates	30	85	87
Profit/(loss) before tax (EBT)		**(11,192)**	**937**
Income taxes	31	818	(1,394)
Profit/(loss) for the period	**14**	**(10,374)**	**(457)**
Non-controlling interests	14	1,273	1,295
Group net result	**14**	**(11,647)**	**(1,752)**
Earnings/(loss) per share (in Euro)	32	(1.69)	(0.25)
Diluted earnings/(loss) per share (in Euro)	32	(1.69)	(0.25)

Amounts in €/000

	Note	2023	2022
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	(118)	929
Net gains/(losses) on cash flow hedges	14	(1,727)	3,061
Total other comprehensive income/(losses) that may be subsequently reclassified within profit/(loss), net of tax	**14**	**(1,845)**	**3,990**
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	(145)	442
Total other consolidated comprehensive income that will not be reclassified to net income/(losses), net of tax	**14**	**(145)**	**442**
Total other comprehensive income/(losses), net of tax	**14**	**(1,990)**	**4,432**
Total income/(loss) net of tax		**(12,364)**	**3,975**

Attributable to:			
Equity holders of the Parent		**(13,491)**	**2,190**
Non-controlling interests		**1,127**	**1,785**

Amounts in €/000

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS	Note	31/12/2023	31/12/2022
Result for the period		(10,374)	(457)
Reconciliation of net income to operating cash flow:			
Income taxes	31	(818)	1,394
Depreciation and amortisation	26	16,355	15,864
Change in defined benefit obligations	14-18	137	(183)
Change in Put and Call option liabilities	16-28	5,217	(590)
Write-downs for impairment	3-26	424	719
Finance costs	28	6,241	3,263
Finance income	28	(1,362)	(176)
Net exchange rate changes		1,912	(1,220)
Income/(loss) for the period from associates	5-30	(85)	(87)
(Capital gains)/Capital losses on sale of assets		33	(28)
Net change in provisions for risks and charges	17	(29)	812
Costs for share-based payments	14-25	(558)	542
Change in operating assets and liabilities:			
Decrease/(Increase) in inventory and contract assets	8	(5,730)	(13,175)
Increase/(Decrease) in liabilities for contract work in progress and customer advances	21	5,666	4,121
Decrease/(Increase) in trade receivables	9	(7,502)	(5,014)
Decrease/(Increase) in other receivables	10	3,136	(5,858)
Increase/(Decrease) in trade payables	19	(7,011)	19,757
Decrease/(Increase) in other current assets and liabilities		2,725	(586)
Income tax payments		(3,917)	(2,030)
(Use of provisions)	17	(207)	(821)
Interest received/(paid)		(4,128)	(2,280)
Cash flows from operating activities (A)		**125**	**13,967**

Amounts in €/000

	Note	31/12/2023	31/12/2022
Investing activities:			
Investments in property, plant and equipment		(2,249)	(1,050)
Investments in intangible assets		(586)	(1,905)
Investments in associates	5	97	(51)
Realisable price of property, plant and equipment	16	18	52
Settlement of payment for equity investments	16	-	(1,663)
Settlement of price adjustment on business combination		(743)	(400)
Acquisition of subsidiaries net of cash acquired		(877)	(8,664)
Cash flows from investing activities (B)		**(4,340)**	**(13,681)**
Financing activity:			
Loans and financing granted	15	15,900	52,300
(Repayments)	15	(16,540)	(29,406)
Lease liability payments	4-16	(6,352)	(5,211)
Increase/(Decrease) in short term bank loans	15	7,600	10,364
Treasury share purchase reserve	14	330	(128)
Dividends paid to Parent Company shareholders	14	-	(5,507)
Dividends paid to minority shareholders	14	(3,119)	(2,959)
Acquisition of minority shareholdings	14	(140)	(14,249)
Cash flows from financing activities (C)		**(2,321)**	**5,204**
Increase (decrease) in cash and cash equivalents (A+B+C)		**(6,536)**	**5,490**
Cash and cash equivalents at the beginning of the period	**13**	**54,344**	**47,645**
Net effect of exchange differences		(846)	1,209
Cash and cash equivalents at the end of the period	**13**	**46,962**	**54,344**

Amounts in €/000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2023

	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
01/01/2023		**6,900**	**18,173**	**1,380**	**7,292**	**(1,752)**	**31,993**	**3,522**	**1,295**	**4,817**	**36,810**
2022 profit allocation:											
- other reserves					(1,752)	1,752		1,295	(1,295)		
- dividends								(3,119)		(3,119)	(3,119)
Treasury share purchase reserve	14				330		330				330
Reserve for share-based payments	14				(558)		(558)				(558)
Acquisition of minority interests					(62)		(62)	(77)		(77)	(139)
Other changes					2		2				2
Other comprehensive income (OCI):	**14**										
- defined benefit plans					(141)		(141)	(5)		(5)	(145)
- change in currency translation reserve					23		23	(141)		(141)	(118)
- change in cash flow hedge reserve					(1,727)		(1,727)				(1,727)
Net income/(loss) for the period						(11,648)	(11,648)		1,273	1,273	(10,374)
31/12/2023		**6,900**	**18,173**	**1,380**	**3,408**	**(11,648)**	**18,213**	**1,475**	**1,273**	**2,748**	**20,961**

Amounts in €/000

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

EXPLANATORY NOTES

GENERAL INFORMATION

Publication of the Consolidated Financial Report of Somec S.p.A. and its subsidiaries ("Somec Group") for the period ended 31 December 2023, prepared using the ESEF (European Single Electronic Format), has been authorised by the Board of Directors, which approved the financial statements on 27 March 2024.

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): Horizons: engineered systems for naval architecture and building façades, Talenta: professional kitchen systems and products, and Mestieri: 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 2023 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 financial statements 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 further details, please refer to the paragraph relating to significant events after 31 December 2023.

For the purpose of comparison, the consolidated financial statements also include the statement of financial position as at 31 December 2022 and consolidated income statement figures for 2022.

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 2023 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 2023, 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)	94% (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.p.A.	San Vendemiano (TV)	100%	Euro	3,000,000
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
Somec Sintesi S.r.l.	San Vendemiano (TV)	100%	Euro	100,000
Somec Shanghai Co., Ltd	Shanghai (Cina)	100%	CNY	4,734,222
Sotrade S.r.o.	Piestany (Slovacchia)	100%	Euro	92,380
Indirectly owned subsidiaries				*(currency unit)*
Atelier de Façades Montréal Inc.	Montréal (Canada)	70.90%	CAD	100
Bluesteel Group UK Ltd	Londra (UK)	94% (1)	GBP	100
Bluesteel Group USA Inc.	New York (USA)	94% (1)	USD	10,000
Budri S.r.l.	Mirandola (MO)	65% (2)	Euro	3,000,000
Budri London Ltd	Londra (UK)	65% (2)	GBP	10,000
Budri Switzerland SA	Lugano (CH)	65% (2)	CHF	100,000
Fabbrica LLC	Delaware (USA)	70.90%	USD	6,250,000
Fabbrica Works S.r.l.	San Biagio di Callalta (TV)	65.63% (3)	Euro	100,000
Gino Ceolin S.r.l.	Mogliano Veneto (TV)	60% (4)	Euro	50,000
Lamp Arredo S.r.l.	Quinto di Treviso (TV)	60% (5)	Euro	100,000
Mestieri USA Inc.	Delaware (USA)	100%	USD	10,000
Pizza Group USA LLC	Houston (USA)	100%	USD	10,000
Skillmax S.r.l.	San Biagio di Callalta (TV)	60% (6)	Euro	500,000
Skillbuild S.r.l.	San Biagio di Callalta (TV)	60% (6)	Euro	20,000
Total Solution Interiors S.r.l.	Cantù (CO)	80% (7)	Euro	100,000
Total Solution Interiors LLC	Miami (USA)	80% (7)	USD	293,034
Associate subsidiaries				*(currency unit)*
Squadra S.r.l.	Pieve di Soligo (TV)	31.10%	Euro	41,500

During the period under review, on 25 January 2023 Somec S.p.A. finalised the acquisition of 60% of the share capital of Gino Ceolin S.r.l. through its direct subsidiary Mestieri S.p.A. (formerly Mestieri S.r.l.). The company was fully consolidated over the entire yearly period.

On 26 July 2023 Somec S.p.A. completed the reorganisation of the company, which was already indirectly controlled, Fabbrica Works S.r.l., directly acquiring 16% of the share capital, bringing its controlling share – direct and indirect – to 86%.

On 18 September 2023 Somec S.p.A. signed a deed of sale with one of the minority shareholders of the company Bluesteel S.r.l., with a view to transferring to Somec S.p.A., without a cash contribution, 34% of the relative share capital. At the closing date of the financial statements, therefore, the Parent Company's equity interest rose from 60% to 94% of the share capital.

On 04 December 2023 Somec S.p.A. completed, through its direct subsidiary Mestieri S.p.A., the acquisition of 40% of the share capital of US company Mestieri USA Inc. from the independent shareholder 2.0 Partners LLC. Following this agreement, Mestieri S.p.A. raised its controlling interest from 60% to 100% of the share capital, thus becoming the sole shareholder of the American company.

On 29 December 2023, as part of a reorganization of the Group, and in particular of the "Mestieri" BU, the Shareholders' Meeting of Mestieri S.r.l. resolved to increase the share capital from a nominal 100 thousand Euro to a nominal 3,000 thousand Euro. The share capital increase was offered for subscription to the sole shareholder Somec S.p.A. The relative quota was paid and settled by contribution in kind to Mestieri S.r.l. of the shareholding held by the Parent Company in the companies Skillmax S.r.l. and Total Solution Interiors S.r.l.. As a result of this operation, the legal form of Mestieri S.r.l. was changed into a joint-stock company, and took on the company name Mestieri S.p.A.. At the closing date of these financial statements, Mestieri S.p.A. holds 60% of the share capital of Skillmax S.r.l. and 80% of the share capital of Total Solution Interiors S.r.l.

(1) The acquisition of Bluesteel S.r.l. includes an option (Put and Call) for the purchase of the remaining 6% 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 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.

(3) 70% of Fabbrica Works S.r.l. is directly owned by Fabbrica LLC and 16% is directly owned by Somec S.p.A. 65.63% is the related indirectly owned stake held by Somec S.p.A. as at 31.12.2023.

(4) The acquisition of Gino Ceolin 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 within 90 days of the approval of the financial statements as of 31 December 2026. Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place.

(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.

(6) The acquisition of Skillmax 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%. The option can be exercised starting from May 2027 and by April 2028.Minority interests are not recognised in the consolidated income statement in light of the Put and Call option in place

(7) The acquisition of Total Solution Interiors S.r.l. includes an option right between the parties (Put and Call option) for the purchase of the minority interest for the remaining 20%. The option can be exercised starting from 2022 and by December 2024. 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 of subsidiaries have been appropriately aligned and reclassified to bring them into line with the Group's accounting standards and valuation criteria, as per the provisions of the international IFRS accounting standards currently in force

- 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 FO 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	31/12/2023		31/12/2022	
	Average	Final	Average	Final
Canadian Dollar	1.4595	1.4642	1.3695	1.4440
US Dollar	1.0813	1.1050	1.0530	1.0666
Swiss Franc	0.9718	0.9260	1.0047	0.9847
Chinese Renminbi	7.6600	7.8509	7.0788	7.3582
Pound Sterling	0.8698	0.8691	0.8528	0.8869

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

PROVISIONS FOR LIABILITIES AND CHARGES

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

- 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 ("Horizons: engineered systems for naval architecture and building façades", "Talenta: professional kitchen systems and products" and "Mestieri: design and production of bespoke interiors")

- revenues from the production and sale of products, i.e. revenues of some companies operating in the "Talenta: professional kitchen systems and products" division

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 "Talenta: 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 applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 unless otherwise stated. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 – INSURANCE CONTRACTS

With Regulation 2036/2021 of 19 November 2021 (and subsequent Regulations 1491/2022 of 8 September 2022 and 1083/2023 of 13 August 2023) the European Commission adopted IFRS 17 – Insurance contracts which will substitute IFRS 4. The new standard, which establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts, will be applied to all insurance contracts issued by an entity (with limited exceptions). The new provisions did not impact these consolidated financial statements.

DEFINITION OF ACCOUNTING ESTIMATES – AMENDMENTS TO IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments had no impact on the Group's consolidated financial statements.

DISCLOSURE OF ACCOUNTING POLICIES - AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION – AMENDMENTS TO IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's consolidated financial statements.

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 IFRS 16: LEASE LIABILITY IN A SALE AND LEASEBACK

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.
The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.
The amendments clarify:

- what is meant by a right to defer settlement
- that a right to defer must exist at the end of the reporting period
- that classification is unaffected by the likelihood that an entity will exercise its deferral right
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

SUPPLIER FINANCE ARRANGEMENTS – AMENDMENTS TO IAS 7 AND IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.
The amendments are not expected to have a material impact on the Group's financial statements.

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

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 and note 3 Impaiment test.

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

BUDRI S.R.L. ACQUISITION

On 20 July 2022, through the subsidiary Mestieri S.p.A., 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 of allocation of the acquisition price.

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

Amounts in €/000

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

Non-current assets	**12,452**
Property, plant and equipment	7,737
Intangible assets	3,325
Right-of-use assets	1,265
Non-current financial assets	125
Current assets	**8,418**
Inventory and contract assets	3,845
Trade receivables	2,753
Other receivables	1,244
Current financial assets	44
Cash and cash equivalents	532
Total assets	**20,870**
Non-current liabilities	**(6,985)**
Loans and financing	(3,689)
Other non-current financial liabilities	(1,088)
Net defined-benefit obligations	(537)
Deferred tax liabilities	(1,671)
Current liabilities	**(7,052)**
Trade payables	(2,432)
Other current liabilities	(887)
Contract work in progress and customer advances	(2,366)
Loans and financing	(1,112)
Other current financial liabilities	(177)
Income tax liabilities	(78)
Total liabilities	**(14,037)**
Total net assets at 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 fair value on the acquisition date amount to a total of 6,833 thousand Euro.

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.
  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 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 difference between the total consideration and the fair value of the identified net assets was recognised as goodwill amounting to 5,603 thousand Euro, which the Directors determined was recoverable in consideration of the estimated cash flows expected from the investment.
The purchase price allocation for the business combination is final.

LAMP ARREDO S.R.L. ACQUISITION

On 28 October 2022, Somec S.p.A. finalised, through its direct subsidiary Mestieri S.p.A., 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 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

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

Non-current assets	**2,817**
Property, plant and equipment	306
Intangible assets	1,414
Right-of-use assets	938
Deferred tax assets	159
Current assets	**3,415**
Inventory and contract assets	388
Trade receivables	1,381
Other receivables	180
Tax receivables	211
Cash and cash equivalents	1,255
Total assets	**6,232**
Non-current liabilities	**(1,660)**
Other non-current financial liabilities	(673)
Net defined-benefit obligations	(592)
Deferred tax liabilities	(395)
Current liabilities	**(2,526)**
Trade payables	(699)
Other current liabilities	(562)
Contract work in progress and customer advances	(1,000)
Other current financial liabilities	(265)
Total liabilities	**(4,186)**
Total net assets at 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 fair value on the acquisition date amount to a total of 2,046 thousand Euro.

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 372 thousand Euro, in respect of which the Directors estimated a service life of five years.
  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

- 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 difference between the total consideration and the fair value of the identified net assets was recognised as goodwill amounting to 1,962 thousand Euro, which the Directors determined was recoverable in consideration of the estimated cash flows expected from the investment. The purchase price allocation for the business combination is final.

GINO CEOLIN S.R.L. ACQUISITION

On 25 January 2023, Somec S.p.A. finalised, through its direct subsidiary Mestieri S.p.A., the acquisition of 60% of the share capital of Gino Ceolin S.r.l.. 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.
Consideration for the acquisition consists of: i) payment of the price of 1,170 thousand Euro, ii) the value of the earn out, 282 thousand Euro, to be paid out upon reaching certain production and normalized EBITDA value parameters in 2023 and 2024, and iii) the fair value of the Put and Call option for the purchase of the remaining minority stakes, calculated at 1,660 thousand Euro when the acquisition price was set.

Price payment for 60%	1,170
Due for earn out	282
Put & Call option liabilities	1,660
Total consideration	**3,112**

Amounts in €/000

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

Non-current assets	**2,691**
Property, plant and equipment	176
Intangible assets	1,829
Right-of-use assets	685
Deferred tax assets	1
Current assets	**3,188**
Inventory and contract assets	671
Trade receivables	2,144
Other receivables	2
Tax receivables	1
Other non-current financial receivables	77
Cash and cash equivalents	293
Total assets	**5,879**
Non-current liabilities	**(1,498)**
Other non-current financial liabilities	(560)
Net defined-benefit obligations	(429)
Deferred tax liabilities	(509)
Current liabilities	**(2,637)**
Trade payables	(1,044)
Other current liabilities	(360)
Contract work in progress and customer advances	(171)
Loans and financing	(811)
Other current financial liabilities	(125)
Income tax liabilities	(126)
Total liabilities	**(4,135)**
Total net assets at fair value	**1,744**
Goodwill on business combination	**1,368**
Acquisition price	**3,112**

Amounts in €/000

Net cash acquired by subsidiary	293
Consideration paid	1,170
Cash flow net of acquisition	**1,463**
Potential consideration	1,942
Total net consideration	**3,405**

Amounts in €/000

The company's net assets measured at fair value on the acquisition date amount to a total of 1,744 thousand Euro.

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 1,825 thousand Euro, gross of the related tax effect of 509 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 seven 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 1,368 thousand Euro, which the Directors determined was recoverable in consideration of the estimated cash flows expected from the investment. The acquisition of control of Gino Ceolin S.r.l. was reflected in the accounts at the beginning of the financial year 2023.
Please see note 2 Intangible assets for more details on the assets with a finite and indefinite useful life recognised at the acquisition date.
The purchase price allocation for the business combination is final.

OPERATING SEGMENT REPORTING

For the purposes of application of IFRS 8, the Group defines three Business Units (BUs), consistent with the management and control model used to date, as shown below:

- **Horizons: 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

- **Talenta: 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 segments were identified 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 business segments are entirely independent of each other

Segment result is identified by net profit/(loss) 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 2023 and 31 December 2022

RESULTS BY OPERATING SEGMENT AS AT 31 DECEMBER 2023

	Horizons: engineered systems for naval architecture and building façades	Talenta: professional kitchen systems and products	Mestieri: design and production of bespoke interiors	Total segments	Adjustments and eliminations	Consolidated
Revenues from contracts with customers	214,086	60,068	94,585	368,739	(1,081)	367,658
Other revenues and income	3,297	804	1,446	5,547	(2,161)	3,386
Intra-segment revenues	15,813	4,415	7,937	28,165	(28,165)	-
Revenues	**233,196**	**65,287**	**103,968**	**402,451**	**(31,407)**	**371,044**
Raw materials and consumables	(98,352)	(30,510)	(38,778)	(167,640)	594	(167,046)
Employee benefit expense	(38,688)	(12,205)	(12,169)	(63,062)	26	(63,036)
Depreciation, amortisation and other write-downs	(9,188)	(2,629)	(6,211)	(18,028)	-	(18,028)
Other operating costs	(65,860)	(15,582)	(43,955)	(125,397)	2,616	(122,781)
Income from associates	85	-	-	85	-	85
Adjustments and eliminations	(15,813)	(4,415)	(7,937)	(28,165)	-	-
Segment net result	**5,380**	**(54)**	**(5,082)**	**244**	**(11,436)**	**(11,192)**

Amounts in €/000

RESULTS BY OPERATING SEGMENT AS AT 31 DECEMBER 2022

	Horizons: engineered systems for naval architecture and building façades	Talenta: professional kitchen systems and products	Mestieri: design and production of bespoke interiors	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

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

	2023	2022
Segment net income	**244**	**3,016**
Financial expenses	(14,997)	(3,288)
Financial income	4,902	790
Other income (and expenses)	(1,335)	457
Net effect of eliminations between segments	(6)	(38)
Profit/(loss) before tax	**(11,192)**	**937**

Amounts in €/000

ASSETS AND LIABILITIES BY OPERATING SEGMENT AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

The following table shows the Group's assets and liabilities by operating segment as at 31 December 2023 and 31 December 2022:

ASSETS AND LIABILITIES BY OPERATING SEGMENT AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

	Horizons: engineered systems for naval architecture and building façades	Talenta: professional kitchen systems and products	Mestieri: design and production of bespoke interiors	Segments total	Adjustments and eliminations	Consolidated
Segment assets						
as at 31/12/2023	167,582	56,088	93,289	316,959	11,886	328,845
as at 31/12/2022	173,457	65,648	86,678	325,783	8,190	333,973
Segment liabilities						
as at 31/12/2023	(195,051)	(30,866)	(72,613)	(298,530)	(9,354)	(307,884)
as at 31/12/2022	(190,392)	(39,606)	(56,000)	(285,998)	(11,165)	(297,163)

Amounts in €/000

The following table shows revenues by geographical area as at 31 December 2023 and 31 December 2022:

REVENUES BY GEOGRAPHICAL AREA

	2023	2022
Italy	108,659	111,432
UE	92,126	65,477
Non-UE	170,259	151,935
Total	**371,044**	**328,844**

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:

			2023
Total Revenues	**Operating segment**	**371,044**	**100.0%**
Client 1	Horizons: engineered systems for naval architecture and building façades Talenta: professional kitchen systems and products Mestieri: design and production of bespoke interiors	80,385	21.7%

Amounts in €/000

			2022
Total Revenues	**Operating segment**	**328,844**	**100.0%**
Client 1	Horizons: engineered systems for naval architecture and building façades Talenta: professional kitchen systems and products Mestieri: design and production of bespoke interiors	81,713	24.9%
Client 2	Horizons: engineered systems for naval architecture and building façades	52,245	15.9%

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	4,906	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 01/01/2022	**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**
Changes in 2023							
Business combinations	-	130	19	26	-	-	175
Investments	71	934	373	658	186	27	2,249
Net disposals	(7)	(1)	(1)	(42)	-	-	(51)
Other changes / reclassifications	-	73	-	(1)	(39)	26	59
Amortisation	(445)	(1,886)	(436)	(622)	(708)	-	(4,097)
Exchange differences	(5)	(62)	-	(11)	(41)	-	(119)
Closing Net Book Value	**9,892**	**5,363**	**806**	**1,759**	**1,229**	**60**	**19,109**
Historical cost	13,181	21,821	6,429	7,666	5,139	60	54,296
Accumulated depreciation	(3,289)	(16,458)	(5,623)	(5,907)	(3,910)	-	(35,187)
Net Book Value as at 31/12/2023	**9,892**	**5,363**	**806**	**1,759**	**1,229**	**60**	**19,109**

Amounts in €/000

"Business Combinations" include the figures arising from the acquisitions of Gino Ceolin S.r.l., which took place during the current year. The investments made in financial year 2023 are geared towards maintaining the efficiency and production capacity of the Group's plants. It should be noted that at 31 December 2023, 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	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 01/01/2022	**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**
Changes in 2023							
Business combinations	1,368	-	1,829	-	-	-	3,197
Investments	-	84	138	21	288	55	586
Depreciation	(424)	-	-	-	-	-	(424)
Other changes / reclassifications	-	(9)	-	-	-	(616)	(625)
Amortisation	-	(291)	(4,270)	(224)	(1,909)	-	(6,694)
Exchange differences	(220)	-	(23)	-	(172)	-	(415)
Closing Net Book Value	**37,423**	**405**	**8,374**	**1,347**	**7,168**	**425**	**55,143**
Historical cost	37,423	1,455	29,800	2,169	22,823	425	94,096
Accumulated depreciation	-	(1,050)	(21,426)	(822)	(15,655)	-	(38,953)
Net Book Value as at 31/12/2023	**37,423**	**405**	**8,374**	**1,347**	**7,168**	**425**	**55,143**

Amounts in €/000

Goodwill
Goodwill acquired through business combinations carried out by Somec Group during 2023 and in previous years amounted to a total of 37,423 thousand Euro as at 31 December 2023 (36,699 thousand Euro as at 31 December 2022).
In order to determine the recoverable value, said goodwill has been allocated to the related cash generating units (CGUs) of individual Group companies, with the exception of goodwill for the Professional Cooking Equipment CGUs (GICO S.p.A., Inoxtrend S.r.l., Pizza Group S.r.l., Pizza Group USA LLC and Primax S.r.l.), for which the Directors decided that their performance benefits from group synergies, and consequently tested goodwill effects on the CGU.
Further to the development and strengthening of the Mestieri BU, as well as the growing synergies between the companies within it, it is noted that at 31 December 2023 the Directors decided to test the goodwill for Mestieri CGUs (CGU Budri S.r.l., CGU Lamp Arredo S.r.l., CGU Gino Ceolin S.r.l., CGU Mestieri S.p.A., CGU Total Solution Interiors S.r.l. and CGU Skillmax S.r.l.) on the CGU Group as a whole, unlike in the previous year, when goodwill was tested individually.

The breakdown of goodwill of the CGUs in the two periods is as follows:

	CGU Mestieri	CGU Fabbrica	CGU Professional Cooking Equipment	CGU Oxin	CGU Bluesteel	CGU Hysea	Total Goodwill
31/12/2023	18,149	6,100	6,141	5,685	1,348	-	**37,423**
31/12/2022	16,781	6,320	6,482	5,685	1,348	83	**36,699**

Amounts in €/000

For comparison purposes, the details of CGU goodwill in the Mestieri CGU Group at 31 December 2023 and 31 December 2022 are shown below.

	CGU TSI	CGU Budri	CGU Skillmax	CGU Lamp Arredo	CGU Gino Ceolin	Total Goodwill
31/12/2023	6,379	5,603	2,837	1,962	1,368	**18,149**
31/12/2022	6,379	5,603	2,837	1,962	-	**16,781**

Amounts in €/000

The change during the period is mainly due to:

- the purchase price allocation for the acquisition of Gino Ceolin S.r.l.
- the write-down of the goodwill of the Professional Cooking Equipment CGU following impairment test and the write-down of the goodwill of the Hysea CGU
- 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 31/12/2022	**36,699**
Gino Ceolin Business Combination	1,368
Goodwill write-down of the Professional Cooking Equipment CGU	(341)
Goodwill write-down of the Hysea CGU	(83)
Exchange differences	(220)
Net Book Value as at 31/12/2023	**37,423**

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

Development costs amounted to 405 thousand Euro at 31 December 2023 (621 thousand Euro at 31 December 2022), referring to projects for the development of new products in the sector "Talenta: Professional Kitchen Systems and Products". Capitalization was based on a careful reporting and analysis of expenses incurred, taking into account estimated future usefulness.

Patents and know-how

"Patents and know-how", totalling 8,374 thousand Euro at 31 December 2023 (10,700 thousand Euro at 31 December 2022) includes, before the related deferred tax effect, allocation of part of the consideration paid for the purchase of Gino Ceolin 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: i) Fabbrica LLC and Primax S.r.l., which took place in 2018; ii) Total Solution Interiors S.r.l. in 2019; iii) Skillmax S.r.l., which took place in 2020; iv) Bluesteel S.r.l., Budri S.r.l. and Lamp Arredo S.r.l. which took place during 2022. The net book value of the know-how at 31 December 2023 amounted to a total of 7,771 thousand Euro (9,780 thousand Euro at 31 December 2022).

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

KNOW HOW	
Net Book Value as at 31/12/2022	**9,780**
Gino Ceolin Business Combination	1,825
Amortisation	(3,828)
Exchange differences	(6)
Net Book Value as at 31/12/2023	**7,771**

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., Gino Ceolin 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 and seven years for Gino Ceolin S.r.l.), 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 1,347 thousand Euro as at 31 December 2023 (1,550 thousand Euro as at 31 December 2022) 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 31/12/2022	**1,550**
Investments	21
Amortisation	(224)
Net Book Value as at 31/12/2023	**1,347**

Amounts in €/000

Other intangible assets
The item "Other intangible assets", amounting to 7,168 thousand Euro as at 31 December 2023 (8,961 thousand Euro as at 31 December 2022), 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, fully amortized as of December 2023.

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

CUSTOMER RELATIONSHIPS	
Net Book Value as at 31/12/2022	**8,775**
Amortisation	(1,651)
Exchange differences	(172)
Net Book Value as at 31/12/2023	**6,952**

Amounts in €/000

ORDER BACKLOG	
Net Book Value as at 31/12/2022	**61**
Amortisation	(61)
Exchange differences	-
Net Book Value as at 31/12/2023	**-**

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 196 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 (425 thousand Euro) mainly related to research and development projects underway in some companies of the Talenta: professional kitchens systems and products BU.

NOTE 3: IMPAIRMENT TEST

On 14 March 2024, 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 2023 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 2024-2026 plan, approved by the Boards of individual companies in February 2024. 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.

As shown in Note 2, it is noted that as at 31 December 2023 the Directors decided to test goodwill for Mestieri CGUs (CGU Budri S.r.l., CGU Lamp Arredo S.r.l., CGU Gino Ceolin S.r.l., CGU Mestieri S.p.A., CGU Total Solution Interiors S.r.l. and CGU Skillmax S.r.l.) on the CGU Group, believing that performance benefited from group synergies, and consequently tested goodwill on the Group as a whole.

The assumptions used for the impairment tests carried out at 31 December 2023 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 2024-2026 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 10.28%.
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 36.02%. Headroom is reduced to zero with a 64.44% 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.
To measure the return on the capital invested in the CGU, the expected future cash flows in the 2024-2026 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 11.40%.
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 performed showed that the recoverable amount was above the carrying amount of the Bluesteel 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 18.20%. Headroom is reduced to zero with a 35.25% reduction in EBITDA compared to forecasts.
At 31 december 2022 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.

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 2024-2026 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 9.81%.
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 well above the carrying amount of the Oxin CGU, including the allocated goodwill.
A sensitivity analysis was carried out by establishing the increase in the discount rate (WACC) and the percentage reduction in EBITDA (over the entire course of the plan, including the terminal value) beyond which an impairment loss arises. The WACC, or the discount rate at which the headroom is reduced to zero, is 18.63%. Headroom is reduced to zero with a 48.31% 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 2024-2026 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 11.57%, considering an additional risk premium for calculating the cost of equity, to the extent of 4%.

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 tests carried out showed a permanent impairment loss of capital invested in the CGU Professional Cooking Equipment of 341 thousand Euro, entirely allocated to goodwill.

The total value of goodwill referring to the CGU in question at 31 December 2023 therefore amounted to 6,141 thousand Euro (6,482 thousand Euro at 31 December 2022).

Impairment test – Mestieri CGU

The Mestieri CGU group is made up of the companies Budri S.r.l., Gino Ceolin S.r.l., Lamp Arredo S.r.l., Mestieri S.p.A., Skillmax S.r.l. and Total Solution Interiors S.r.l., which implement complex interior design projects and iconic architecture in the residential, retail, hospitality and naval sectors.

To measure the return on the capital invested in the CGU, the expected future cash flows in the 2024-2026 plan drawn up by management were discounted using a weighted average cost of capital (WACC) of 10.45%.

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 well above the carrying amount of the Mestieri 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 14.05%. Headroom is reduced to zero with a 25.03% 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	28,154	2,577	2,036	512	33,279
Accumulated depreciation	(5,845)	(780)	(885)	(225)	(7,735)
Net Book Value as at 01/01/2022	**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
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**
Changes in 2023					
Business combinations	685	-	-	-	685
Increase	2,386	867	986	89	4,328
Other changes / reclassifications	(2,638)	(75)	(26)	-	(2,739)
Amortisation	(4,033)	(717)	(696)	(118)	(5,564)
Exchange differences	(159)	-	-	(2)	(161)
Closing Net Book Value	**19,693**	**2,378**	**1,689**	**176**	**23,936**
Historical cost	30,694	4,042	3,161	431	38,328
Accumulated depreciation	(11,001)	(1,664)	(1,472)	(255)	(14,392)
Net Book Value as at 31/12/2023	**19,693**	**2,378**	**1,689**	**176**	**23,936**

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:

	2023	2022
Depreciation of right-of-use assets	5,563	4,639
Interest payable on leases	807	647
Expenses - short term leases	3,098	3,011
Total recognised in the income statement	**9,468**	**8,297**

Amounts in €/000

Total cash flows used for leases recognised in compliance with IFRS 16 amounted to 6,352 thousand Euro as at 31 December 2023 (5,211 thousand Euro as at 31 December 2022).

NOTE 5: INVESTMENTS IN ASSOCIATES

The following table shows the changes in the year 2023 of the item Investments in associates, referring to the company Squadra S.r.l.

ASSOCIATES	
Net book value as at 31/12/2022	**351**
Write-ups/(write downs)	85
Dividends from equity method investments	(97)
Net book value as at 31/12/2023	**339**

Amounts in €/000

NOTE 6: NON-CURRENT FINANCIAL ASSETS

The item is composed as follows:

NON-CURRENT FINANCIAL ASSETS		
	31/12/2023	31/12/2022
Securities and investment funds	253	229
Derivative instrument assets	631	2,383
Other financial assets	4	4
Total non-current financial assets	**888**	**2,616**

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	31/12/2023		31/12/2022	
	Timing differences	Tax effect	Timing differences	Tax effect
Bad debt provision	2,968	711	3,628	869
Maintenance	35	8	7	2
Unpaid Directors' compensation	30	7	25	6
Inventory write-offs	1,804	445	1,336	339
Warranty provisions	355	86	355	86
Trademark amortisation	724	202	660	184
Derivative financial instruments	264	63	-	-
Tax losses	18,273	4,385	8,085	1,940
Provisions for liabilities and charges	20	5	20	5
Ancillary cost adjustments for equity investments	486	135	382	106
Start-up and expansion costs	44	12	5	1
Adjustment of software costs	988	276	-	-
Right-of-use assets	1,124	272	991	239
Employee benefits	1,614	387	304	73
Exchange losses	207	50	-	-
Interest payable	505	121	-	-
Other	1,508	364	714	174
Total Deferred tax assets		**7,529**		**4,024**

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 4,385 thousand Euro at 31 December 2023, refer mainly to tax losses generated in 2023 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 2023 the Group has additional tax loss carry-forwards amounting to 8,399 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 353 thousand Euro.

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

DEFERRED TAX LIABILITIES	31/12/2023		31/12/2022	
	Timing differences	Tax effect	Timing differences	Tax effect
Unrealised exchange gains	-	-	747	179
Depreciation and amortisation	6	1	6	1
Derivative financial instruments	1,732	416	3,656	877
USA retained earnings	2,856	698	1,577	426
Right-of-use assets	321	87	319	77
Employee benefits	1,803	433	621	149
Increase in value allocated to contract assets (interim)	1,395	379	622	189
Increase in value allocated to land and buildings	4,333	1,209	4,518	1,261
Increase in value allocated to plant and machinery	311	87	363	101
Increase in value allocated to know-how	7,711	2,168	9,780	2,725
Increase in value allocated to customer relationships	6,953	1,900	8,775	2,398
Increase in value allocated to the order backlog	-	-	61	17
Increase in value allocated to brands	178	50	297	83
Others	551	134	41	10
Total Deferred tax liabilities		**7,562**		**8,493**

Amounts in €/000

NOTE 8: INVENTORY AND CONTRACT ASSETS

The item is composed as follows:

INVENTORY AND CONTRACT ASSETS	31/12/2023	31/12/2022
Raw materials and consumables	14,683	17,396
Work in process and semi-finished goods	2,441	2,926
Contract work in progress	36,200	27,285
Finished goods and goods for resale	4,807	5,115
Advances and payments on account to suppliers	1,768	776
Total Inventory and contract assets	**59,899**	**53,498**

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 1,047 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 2,119 thousand Euro in order to align its value with the realisable value.
The item Advances and payments on account to suppliers amounting to 1,768 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 3,851 thousand Euro.

NOTE 9: TRADE RECEIVABLES

Trade receivables amounting to 73,511 thousand Euro as at 31 December 2023 (84,152 thousand Euro as at 31 December 2022) 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 2023 is as follows:

TRADE RECEIVABLES

	Not yet expired	Expired 0 - 90 days	Expired by 90 - 180	Expired by more than 180 days	Total
Gross book value of trade receivables as at 31 December 2023	57,689	11,955	988	5,928	**76,560**
Gross book value of trade receivables as at 31 December 2022	74,752	6,035	1,015	6,241	**88,043**

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 2023 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**
Business combinations	16
Provisions	865
Allocations	(929)
Releases	(795)
Balance as at 31/12/2023	**3,049**

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	31/12/2023	31/12/2022
Indirect tax receivables	9,083	8,497
Other receivables	1,258	2,412
Advance payments to suppliers	2,062	4,470
Prepaid expenses	1,044	1,483
Down-payments	469	378
Employee advances	23	2
Labour insurance and social security receivables	76	29
Other tax receivables	1,268	1,146
Total Other receivables	**15,283**	**18,417**

Amounts in €/000

The item Indirect tax receivables amounting to 9,083 thousand Euro (8,497 thousand Euro as at 31 December 2022) 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.

NOTE 11: TAX RECEIVABLES

The item includes the following:

TAX RECEIVABLES	31/12/2023	31/12/2022
Corporation tax receivable (IRES)	943	729
Regional business tax receivable (IRAP)	188	278
Foreign tax credit	2,649	2,274
Other income tax receivables	578	885
Total Tax receivables	**4,358**	**4,166**

Amounts in €/000

The item Foreign tax credit refers mainly 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	31/12/2023	31/12/2022
Current financial assets	20,287	2,745
Derivative instrument assets	1,173	1,406
Securities	190	158
Prepaid interest and other financial items	238	299
Total Other current financial assets	**21,888**	**4,608**

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	31/12/2023	31/12/2022
Current bank accounts and post office deposits	46,916	54,273
Cash-in-hand	46	71
Total cash and cash equivalents	**46,962**	**54,344**

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: NET EQUITY

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

NET EQUITY	31/12/2023	31/12/2022
Share capital	6,900	6,900
Share premium reserve	18,173	18,173
Legal reserve	1,380	1,380
Other reserves and retained earnings	(8,240)	5,540
Group net equity	**18,213**	**31,993**
Minority interest capital and reserves	1,475	3,522
Income from minorities	1,273	1,295
Minority interest	**2,748**	**4,817**
Total net equity	**20,961**	**36,810**

Amounts in €/000

The share capital (fully paid-in) amounts to 6,900 thousand Euro as at 31 December 2023, and is composed of 6,900,000 shares of no par value, inclusive of 11,934 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 2023 had a balance of 1,184 thousand Euro (2,910 thousand Euro at 31 December 2022)
- 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 of 282 thousand Euro at 31 December 2023, deriving from the accounting treatment of the Incentive Plan. During the fiscal year the reserve changed due to the assignment of Restricted shares amounting to 330 thousand Euro and a release amounting to 228 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 2022 financial statements. It amounted to 11,934 treasury shares, accounting for 0.17% of the share capital, totalling 361 thousand Euro
- conversion reserve of 1,289 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 2023 amounted to a negative result of 11,647 thousand Euro, compared to a negative result of 1,752 thousand Euro at 31 December 2022

Shareholders' equity pertaining to minority shareholders almost entirely pertained to minority shareholders of Fabbrica LLC and changed mainly due to: i) the normal trend of the translation reserve (191 thousand Euro); ii) the distribution of dividends to minority shareholders of Fabbrica LLC (3,061 thousand Euro); iii) the attribution of the result for the period (1,273 thousand Euro).

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

OTHER COMPREHENSIVE INCOME COMPONENTS	2023	2022
Exchange differences on translation of foreign operations	(118)	929
Effective portion of gains/(losses) on cash flow hedge instruments	(1,727)	3,061
Gains/(losses) on remeasurement of defined benefit plans	(145)	442
Total Other components of net comprehensive income	**(1,990)**	**4,432**

Amounts in €/000

NOTE 15: LOANS AND FINANCING

The item is composed as follows:

LOANS AND FINANCING	31/12/2023	31/12/2022
Non-current repayments on medium/long-term loans	12,842	61,094
Total Non-current loans and financing	**12,842**	**61,094**
Instalments of medium/long term loans falling due within one year	62,432	14,881
Advance payments on invoices and contracts	27,529	20,506
Other loans payable	6,714	5,674
Overdrafts	622	1,442
Interest and charges on bank loans and overdrafts	491	135
Total Current loans and financing	**97,788**	**42,638**
Total Loans and financing	**110,630**	**103,732**

Amounts in €/000

During the 2022 fiscal year the Parent Company signed a medium to long-term syndicated loan agreement with three leading banking institutions. This loan requires compliance with economic/financial parameters, or covenants, to be calculated annually based on the results of the consolidated financial statements (specifically: net financial debt/EBITDA and net financial debt/equity).

As of December 31, 2023, both parameters were not met. Therefore, the company promptly initiated talks with the financing institutions in order to meet the conditions for obtaining a special waiver from them, by the time the consolidated financial statements are approved by the Board of Directors. This waiver was obtained on today's date. Even though this debt is not due within twelve months of 31 December 2023, as the company has not received any formal request for payment from the credit institutions, since the formal waiver of the exercising of contractual rights in the event of a breach of covenants was received from the credit institutions by the Parent Company in March 2024, therefore after the close date of the year to which these consolidated financial statements refer, as per reference accounting standards (IAS 1), the remaining debt relating to this loan (49,599 thousand Euro), falling due on 30 September 2028, has been fully reclassified in the Current Loans item. Measurements carried out at 31 December 2022 confirmed compliance with these economic/financial parameters.
Other loans payable refer mainly to non-recourse factoring agreements with the factoring company Ifitalia.

NOTE 16: OTHER FINANCIAL LIABILITIES

The item includes the following:

OTHER FINANCIAL LIABILITIES	31/12/2023	31/12/2022
Non-current lease liabilities	18,991	22,897
Strike price of options on purchase of non-controlling interest	14,112	9,364
Earn out payment for non-controlling interest	186	1,765
Derivative liabilities	214	-
Total Other non-current financial liabilities	**33,503**	**34,026**
Current lease liabilities	5,188	4,757
Earn out payment for non-controlling interest	4,355	732
Derivative liabilities	54	-
Other financial liabilities	58	8
Total Other current financial liabilities	**9,655**	**5,497**
Total Other financial liabilities	**43,158**	**39,523**

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. (3,140 thousand Euro), to be exercised as from 1 May 2027 until 30 April 2028, as per the agreement amending the shareholders' agreement, signed with minority shareholders in January 2024 (originally options could be exercised from May 2024 to April 2025)
- Budri S.r.l. (8,329 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. (1,399 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
- Gino Ceolin S.r.l. (1,244 thousand Euro), becoming exercisable – in relation to 40% of the share capital – 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 2023 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.

Re-measurement of the fair value of options for minority shareholders led to the recognition as of 31 December 2023 of a financial charge totalling 5,216 thousand Euro. For more details regarding impact on the income statement, please refer to Note 28 - Financial income and expenses.

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, amounting to 1,156 thousand Euro as at 31 December 2023.
This liability was linked to i) EBIT figures forecast in the company's business plan for each financial year between 2023 and 2025; ii) the over performance of cumulative EBIT for the years 2022-2023 and 2024-2025, compared to the company's business plan.
This item also includes the discounted liability for the payment of earn out amounts due to the minority shareholders of Budri S.r.l. (3,199 thousand Euro). This liability was linked to EBITDA and net financial position figures relating to each individual financial year between 2023 and 2025. This item also includes the discounted liability for the payment of the earnout amount due to the minority shareholders of Gino Ceolin S.r.l. (186 thousand Euro). This liability was linked to EBITDA and net financial position figures relating to each individual financial year between 2023 and 2024.

Derivative liabilities
Derivative financial liabilities to the amount of 268 thousand Euro as at 31 December 2023 reflect the fair value measurement of derivative instruments outstanding on the reporting date. The Group has entered into Interest Rate Swap and Interest Rate Cap contracts aimed at hedging against interest rate risk stemming from some of its medium/long-term loans.

NOTE 17: PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for risks and charges, amounting to 1,086 thousand Euro at 31 December 2023 (1,322 thousand Euro at 31 December 2022), felt the effects of uses made in the period (207 thousand Euro) and exchange rate differences (24 thousand Euro).

Changes in the item during the year were as follows:

PROVISIONS FOR LIABILITIES AND CHARGES	31/12/2023	31/12/2022
Provision for cost-operating contract costs	947	1,187
Product warranty provision	25	25
Other provisions for liabilities and charges	114	110
Total provisions for liabilities and charges	**1,086**	**1,322**

Amounts in €/000

The movements of the year were as follows:

MOVEMENTS OF PROVISIONS FOR LIABILITIES AND CHARGES	Provision for cost-operating contract costs	Product warranty provision	Other provisions for liabilities and charges	Total provisions for liabilities and charges
Balance as at 31/12/2021	**1,035**	**25**	**223**	**1,283**
Provisions	856	-	4	860
Allocations	(704)	-	(117)	(821)
Balance as at 31/12/2022	**1,187**	**25**	**110**	**1,322**
Provisions	-	-	4	4
Allocations	(207)	-	-	(207)
Exchange differences	(24)	-	-	(24)
Others	(9)	-	-	(9)
Balance as at 31/12/2023	**947**	**25**	**114**	**1,086**

Amounts in €/000

NOTE 18: NET DEFINED-BENEFIT OBLIGATIONS

The item refers to severance indemnity reserve (TFR) changes in which during 2023 were as follows:

NET DEFINED-BENEFIT OBLIGATIONS	31/12/2023	31/12/2022
Balance at the beginning of the year	**5,130**	**4,256**
Business combinations	429	1,497
Provisions	2,328	2,195
Interest	111	65
Other changes	(264)	(370)
Actuarial (gains)/losses	160	(543)
Uses for indemnities settled and advance payments made	(2,053)	(1,970)
Balance at the end of the year	**5,841**	**5,130**

Amounts in €/000

As at 31 December 2023, 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	31/12/2023	31/12/2022
Economic assumptions		
Increase in living costs	2.00%	2.30%
Discount rate	3.17%	3.77%
Severance indemnity growth rate	3.000%	3.225%
Real wage growth rate	1.00%	1.00%
Demographic assumptions		
Probability of death	Disability and Death Probability Tables published by Italian General Accounting Office	Disability and Death Probability Tables published by Italian General Accounting Office
Probability of disability	National Social Security Institute (INPS) tables by age and gender	National Social Security Institute (INPS) tables by age and gender
Probability of resignation	5.00%	5.00%
Probability of advance on severance indemnity	2.00%	2.00%

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

SENSITIVITY ANALYSIS	31/12/2023	31/12/2022
Turnover rate +1%	4,733	3,495
Turnover rate -1%	4,709	3,451
Inflation rate +0.25%	4,802	3,531
Inflation rate -0.25%	4,644	3,418
Discount rate +0.25%	4,623	3,402
Discount rate -0.25%	4,825	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	422
Between 1 and 2 years	433
Between 2 and 3 years	487
Between 3 and 4 years	461
Between 4 and 5 years	569
Total	**2,372**

Amounts in €/000

NOTE 19: TRADE PAYABLES

Trade payables totalled 73,357 thousand Euro at 31 December 2023, compared to 79,324 thousand Euro at 31 December 2022.
Trade payables are due within 12 months, do not bear interest and are normally settled within between 30 and 120 days.
At 31 December 2023, 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 2023 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	31/12/2023	31/12/2022
Social security and pension fund liabilities	3,048	2,765
Deferred employee compensation liabilities	5,210	4,586
Payables to directors and statutory auditors	271	269
Indirect tax and withholding tax liabilities	3,626	3,306
Other liabilities	1,761	1,340
Accrued expenses and deferred income	731	818
Total Other current liabilities	**14,647**	**13,084**

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 2023 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 2023.

NOTE 21: LIABILITIES FOR CONTRACT WORK IN PROGRESS AND CUSTOMER ADVANCES

This item, amounting to 49,052 thousand Euro as at 31 December 2023 (43,215 thousand Euro as at 31 December 2022) 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

The item is composed as follows:

INCOME TAX LIABILITIES

	31/12/2023	31/12/2022
IRES Corporation tax payable	838	720
IRAP Regional business tax payable	209	276
Foreign taxes payable	745	143
Other income tax payable	-	1,532
Total taxes payable	**1,792**	**2,671**

Amounts in €/000

Taxation 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 367,658 thousand Euro as at 31 December 2023 (325,616 thousand Euro as at 31 December 2022), broken down as follows by operating segment:

REVENUES FROM CONTRACTS WITH CUSTOMERS	2023		2022	
	Revenues from contracts with customers	Change in contract work in progress	Revenues from contracts with customers	Change in contract work in progress
Horizons: engineered systems for naval architecture and building façades	235,657	(22,279)	178,427	13,786
Talenta: professional kitchen systems and products	60,985	(998)	62,090	2,347
Mestieri: design and production of bespoke interiors	78,259	16,034	69,653	(687)
Total Revenues from contracts with customers	**374,901**	**(7,243)**	**310,170**	**15,446**

Amounts in €/000

Typically, "variable considerations" do not have a significant impact on the Group, except for contract additions agreed with customers.

The breakdown of revenues (at 367.7 million Euro) by geographical area is as follows:

REVENUES FROM CONTRACTS BY GEOGRAPHICAL AREA	Italy	UE	Non-UE	Total
Revenues from contracts with customers 2023	105,715	92,125	169,818	**367,658**
Revenues from contracts with customers 2022	108,356	65,477	151,783	**325,616**

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 2023	341,028	26,630	367,658
Revenues from contracts with customers 2022	297,189	28,427	325,616

Amounts in €/000

NOTE 24: OTHER REVENUES AND INCOME

Other revenues and income are broken down as follows:

OTHER REVENUES AND INCOME	2023	2022
Grants	132	56
Insurance claim settlements	118	690
Other income	2,509	2,007
Contingent assets	627	475
Total Other revenues and income	**3,386**	**3,228**

Amounts in €/000

NOTE 25: EMPLOYEE BENEFIT EXPENSES

Employee benefit expense is broken down as follows:

EMPLOYEE BENEFIT EXPENSES	2023	2022
Wages and salaries	49,586	43,492
Social security costs	11,108	9,227
Defined benefit obligations	2,214	1,923
Other personnel expenses	128	1,192
Total Employee benefit expenses	**63,036**	**55,834**

Amounts in €/000

Personnel expenses represent total costs incurred for employees, including wages and salaries, social security and pension contributions and severance indemnity reserve.

Finally, it is noted that the item also includes share-based payments, which express the notional cost of the medium-long-term Incentive Plan, the subject of a specific appraisal. Based on the achievement of performance goals, at 31 December 2023, the portion relating to performance shares was set to zero, which resulted in a reduction in the notional cost of the incentive plan of 228 thousand Euro, resulting in the release of the share-based payment reserve. For more details, please refer to the section on this subject (long-term variable incentive Plan 2021-2025).

The average number of employees per category as at 31 December 2023 and 31 December 2022 is shown in the following table:

AVERAGE NUMBER OF EMPLOYEES PER CATEGORY		
	2023	**2022**
Directors	20	17
Managers	43	38
Office staff	450	423
Operational workers	502	458
Total	**1,015**	**936**

NOTE 26: DEPRECIATION, AMORTISATION AND WRITE-DOWNS

Depreciation, amortisation and write-downs are as follows:

DEPRECIATION, AMORTISATION AND WRITE-DOWNS		
	2023	**2022**
Depreciation of property, plant and equipment	4,097	3,736
Amortisation of intangible assets	6,694	7,489
Depreciation of right-of-use assets	5,563	4,639
Write-down of goodwill	424	719
Provision for bad debt	866	2,725
Other provisions for liabilities and charges	384	1,037
Total Depreciation, amortisation and other write-downs	**18,028**	**20,345**

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		
	2023	**2022**
Outsourced manufacturing	35,753	30,271
Installation	30,720	25,700
Transport	7,631	7,864
Director and auditor remuneration	2,705	2,032
Audit fees	515	394
Other expenses	45,457	37,504
Total Other operating costs	**122,781**	**103,765**

Amounts in €/000

It should be noted that Other costs 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.
It is noted that the item also includes the costs incurred by some Group companies for the Digital Transformation IT project, entailing the transition to the new in-cloud software "Dynamics 365", costing a total of 1,351 thousand Euro. This software is not an intangible asset, as established by IAS 38, but is viewed as an extraordinary cost, having multi-year benefits.
Pursuant to Article 149-duodecies(2) of the Consob Issuers' Regulations, it is noted that the consideration for the 2023 fiscal year for audit services performed by EY S.p.A. amounted to 382 thousand Euro, plus 45 thousand Euro for related services and mandatory auditing activities, entered in the item “Other costs”. For further details, please refer to Note 33, "Remuneration paid to the independent auditors".

NOTE 28: FINANCIAL INCOME AND EXPENSES

The item includes the following:

FINANCIAL INCOME AND EXPENSES	2023	2022
Interest payable on bank loans and borrowings	(3,683)	(1,470)
Interest payable on lease liabilities	(807)	(647)
Interest payable on defined benefit plans	(123)	(65)
Interest payable to third parties	(437)	(138)
Interest paid for factoring services	(437)	(67)
Other financial charges	(731)	(817)
Remeasurement of financial liabilities (put option)	(8,756)	(25)
Write-down of financial assets	(23)	(59)
Total Financial expenses	**(14,997)**	**(3,288)**
Other financial income	957	34
Other interest	362	134
Revaluation of financial assets	43	8
Remeasurement of financial liabilities (put option)	3,540	614
Total Financial income	**4,902**	**790**
Total Financial income and expenses	**(10,095)**	**(2,498)**

Amounts in €/000

The item Financial income and expenses as at 31 December 2023 had a negative balance of 10,095 thousand Euro (-2,498 thousand Euro at 31 December 2022).
The item includes the remeasurement of the fair value of options to minority shareholders, amounting to a net 5,216 thousand Euro at the closing date of the financial year (net income of 589 thousand Euro at 31 December 2022).

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 negative 1,335 thousand Euro as at 31 December 2023 (positive balance of 457 thousand Euro as at 31 December 2022).

NOTE 30: INCOME FROM ASSOCIATES

The item, amounting to 85 thousand Euro as at 31 December 2023, 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	2023	2022
Current tax:		
- IRES	(2,068)	(1,485)
- IRAP	(528)	(458)
- Other current tax for foreign subsidiaries	(949)	(1,990)
Income tax prior years	27	(278)
Income from tax consolidation	-	766
Deferred tax liabilities	1,004	2,004
Deferred tax assets	3,332	47
Total Income taxes	**818**	**(1,394)**

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		
	2023	**2022**
IRES theoretical rate	24%	24%
Pre-tax result	(11,192)	937
Theoretical taxes (*)	(2,686)	225
Actual taxes	(818)	1,394
Difference explained by:	**(1,868)**	**(1,169)**
1) Different rates in other countries	(720)	365
2) Permanent differences		
i) IRAP and other local taxes	(569)	(528)
ii) non-deductible items	(834)	(947)
iii) taxes in previous years	27	(278)
iv) other	228	219
Total difference	**(1,868)**	**(1,169)**

* 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		
	2023	**2022**
Earnings/(Loss) per share (Euro)	(1.69)	(0.25)
Diluted earnings/(Loss) per share (Euro)	(1.69)	(0.25)
Weighted average number of outstanding shares:		
- basic	6,883,698	6,879,207
- diluted	6,883,698	6,879,207

NOTE 33: FEES PAID TO THE AUDITING FIRM

The following table shows the fees relating as at 31 december 2023 for audit, certification and other services provided by EY S.p.A. and other auditors to the Parent Company and its subsidiaries.

FEES PAID TO THE AUDITING FIRM

Type of services	Service provider	Recipient	Fees 2023
Auditing	EY S.p.A.	Parent Company Somec S.p.A.	**175,968**
	EY S.p.A.	Subsidiaries	**206,013**
	Other auditors	Subsidiaries	**132,786**
Services related to auditing activites	EY S.p.A.	Parent Company Somec S.p.A.	**44,779**
Other services	Other auditors	Subsidiaries	**79,208**

Information pursuant to Article 149-duodecies of CONSOB Issuers' Regulations / In Euro

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:

	31/12/2023	31/12/2022
Non-current financial assets	888	2,616
Trade receivables	73,511	84,152
Other receivables	15,283	18,417
Current financial assets	21,888	4,608
Cash and cash equivalents	46,962	54,344
Total	**158,532**	**164,137**

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 2023.

Changes in the USD exchange rate		Effect on operating result as at 31 December 2023	
(+)	(-)	(+)	(-)
+5%	-5%	(676)	747
+10%	-10%	(1,290)	1,577

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 2023 in comparison with same items as at 31 December 2022.

LIABILITIES MATURITY					
	31/12/2023	**On demand**	**Within 1 year**	**Between 1 and 5 years**	**Over 5 years**
Loans and financing	12,842	-	-	12,515	327
Other non-current financial liabilities	33,503	-	-	27,018	6,485
Other non-current liabilities	759	-	-	759	-
Total non-current liabilities	**47,104**	**-**	**-**	**40,292**	**6,812**
Trade payables	73,357	-	73,357	-	-
Other current liabilities	14,647	-	14,647	-	-
Loans and financing	97,788	35,356	62,432	-	-
Other current financial liabilities	9,655	-	9,655	-	-
Income tax liabilities	1,792	-	1,792	-	-
Total current liabilities	**197,239**	**35,356**	**161,883**	**-**	**-**

Amounts in €/000

	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

Finally, some active medium to long-term loan agreements require compliance with economic/ financial parameters (covenants) to be calculated annually based on the results reported in the consolidated financial statements (i.e. net debt/EBITDA and net debt/equity). For more details on compliance with these parameters, please refer to Note 15, "Loans and funding".

RISKS RELATING TO THE WORLDWIDE GEOPOLITICAL SITUATION

Over the past few years, the macroeconomic backdrop has been filled with uncertainty.
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, which continued throughout the 2023 financial year. 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.

Among significant events in 2023, mention must be made of the recent Israeli-Palestinian conflict, which might have effects on international logistics and demand. 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. 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				
	31/12/2023		31/12/2022	
	Book value	Fair value	Book value	Fair value
Interest Rate Swaps:				
- Assets	1,804	1,804	3,788	3,788
- Liabilities	(268)	(268)	-	-
Call options on acquisition of non-controlling interest	(14,112)	(14,112)	(9,364)	(9,364)
Earn out payment for non-controlling interest	(4,541)	(4,541)	(2,497)	(2,497)
Total	**(17,117)**	**(17,117)**	**(8,073)**	**(8,073)**

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 2023 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 2023 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. It should be noted that all transactions with related parties are concluded in the interests of the Company and the Group.

Financial and economic relations with related parties during the year 2023 are summarized in the balance sheet and income statement below.

STATEMENT OF FINANCIAL POSITION

	Trade receivables	Other receivables	Account payables	Other non-current liabilities	Other current liabilities	Other non-current financial liabilities	Other current financial liabilities
31/12/2023							
2.0 Partners LLC	-	-	-	-	-	-	(8)
Fondaco S.r.l.	285	-	-	-	(5)	-	-
GMB S.r.l.	-	-	-	(300)	-	-	-
Made by TSI	-	-	(22)	-	-	-	-
Marmo Elite S.r.l.	54	-	(151)	-	-	-	-
Squadra S.r.l.	7	-	(488)	-	-	-	-
Venezia S.p.A.	3	-	(19)	-	-	-	-
Vis S.r.l.	3	-	(401)	-	-	(6,806)	(950)
Total	**352**	**-**	**(1,081)**	**(300)**	**(5)**	**(6,806)**	**(958)**
31/12/2022							
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 2023 amount to 1,167 thousand Euro (1,054 thousand Euro as at 31 december 2022).

INCOME STATEMENT

	Revenues	Other revenues	Raw materials and consumables	Other operating costs	Financial expenses
31/12/2023					
2.0 Partners LLC	-	-	-	-	(31)
Fondaco S.r.l.	582	-	-	-	-
GMB S.r.l.	8	-	-	(9)	-
Made by TSI	-	-	(25)	(82)	-
Marmo Elite S.r.l.	212	-	(484)	(3)	-
Squadra S.r.l.	78	-	(2,379)	(249)	-
Venezia S.p.A.	-	2	-	-	-
Vis S.r.l.	-	3	-	(16)	-
Total	**880**	**5**	**(2,888)**	**(359)**	**(31)**

	Revenues	Other revenues	Raw materials and consumables	Other operating costs	Financial expenses
31/12/2022					
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

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 during 2023 and 2022.

	Compensation	Non-cash compensation	Bonuses and other incentives	Other compensation
31/12/2023				
Parent Company Board of Directors	949	28	-	668
Parent Company Board of Statutory Auditors	73	-	-	-
Key management personnel	-	5	-	888
Total	**1,022**	**33**	**-**	**1,556**
31/12/2022				
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	-	10,966	324,029
Approval of 2025 financial statements	-	51,777	51,777	-	-	-	-
Total	**32,899**	**72,925**	**105,824**	**32,899**	**-**	**32,899**	**987,297**

Based on the achievement of performance goals, at 31 December 2023 the portion relating to performance shares was set to zero, which resulted in a reduction in the notional cost of the incentive plan of 228 thousand Euro, resulting in the release of the share-based payment reserve.

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		31/12/2023	31/12/2022
A.	Cash	46,962	54,344
B.	Cash equivalents	-	-
C.	Other current financial assets	20,715	3,202
D.	**Total liquidity (A+B+C)**	**67,677**	**57,546**
E.	Current financial liabilities (including debt instruments, excluding the current portion of non-current financial liabilities)	(45,011)	(33,253)
F.	Current portion of long term debt	(62,432)	(14,881)
G.	**Current financial debt (E+F)**	**(107,443)**	**(48,134)**
H.	**Current net financial debt (G+D)**	**(39,766)**	**9,412**
I.	Non-current financial liabilities (excluding current portion and debt instruments)	(46,345)	(95,121)
J.	Debt instruments	-	-
K.	Trade payables and other non-current liabilities	-	-
L.	**Non-current financial debt (I+J+K)**	**(46,345)**	**(95,121)**
M.	**Total financial debt (H+L)**	**(86,111)**	**(85,709)**

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 1,804 thousand Euro, to the financial debt shown above, the net financial position at 31 December 2023 amounts to 84,307 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	31/12/2023	31/12/2022
Contract sureties	241,428	207,095
Other guarantees	1,599	2,372
Total	**243,028**	**209,467**

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 Horizons: Engineered systems for naval architecture and building façades for the North American market, the related amount decreases according to the work in progress and the backlog revision.

SIGNIFICANT EVENTS AFTER YEAR END 2023

Exceeding covenants under a syndicated loan agreement
At 31 December 2023 it was found that the covenants under a medium- and long-term syndicated loan agreement entered into in fiscal year 2022 with three leading banks had been exceeded. This loan requires compliance with economic/financial parameters, or covenants, to be calculated annually based on the results of the consolidated financial statements (specifically: net financial debt/EBITDA and net financial debt/equity). As of December 31, 2023, both parameters were not met. Therefore, the company promptly initiated talks with the financing institutions in order to meet the conditions for obtaining a special waiver from them, by the time the consolidated financial statements are approved by the Board of Directors. This waiver was obtained on today's date.
At the date of drafting this report, the Directors believe that, despite failing to meet the conditions of the covenants, the liquidity, available credit lines and cash flows that will be generated by the operations of Group companies will be adequate to fulfil our obligations over the next twelve months. Further to these considerations, the Directors believe that no significant uncertainties exist, therefore they have prepared these financial statements on a going concern basis.

San Vendemiano – Italy, 27 March 2024

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 2023.

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 2023:

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.

27 March 2024

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, 2023

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, 2023, 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 explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, 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 37.4 million, allocated to the cash generating units of the Group (CGU) or to groups of CGUs. Processes and methods for evaluating and determining the recoverable amount of each CGU or groups of CGUs, including the related goodwill, in terms of value in use, sometimes are based on complex assumptions which, by their nature, imply the use of the judgment of the Directors, in particular with reference to future cash flows included in the 2024-2026 plans prepared for each of the CGU or groups of CGUs and approved by the Board of Directors on march 8, 2024, 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
Recognition of revenues from contracts with customers, of the related contract assets and contract liabilities for work in progress The consolidated financial statements include, within revenues from contracts with customers, revenues recorded over time for Euro 341 million. Within inventory and contract assets, contract work in progress for Euro 36.2 million, and within liabilities for contract work in progress and customer advances, advances received from customers when they exceed the associated amount owed by clients for Euro 49.1 million. Revenues from contracts with customers are recorded within profit and loss according to the percentage of completions of the work in progress, based on the proportion between actual costs and the estimated total costs to complete each project (cost to cost input method), the application of the cost-to-cost method requires estimate of the total cost to complete each project and the related recurring updating, through the use of estimates by the Directors. A proper accounting recognition of the work in progress assumes the estimation of the final costs, of the assumed cost increases, as well as of the delays, extra costs and penalties that could modify, also reducing, the expected margin. The Directors base their estimates on the information deriving from the internal reporting system, forecasting and reporting of the order, furthermore they 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 promptly 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	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; • 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 also through the look back analysis that consists in the check in subsequent periods of the reasonableness of the estimates performed by the Directors; • 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
result of the year, we considered that this issue represents a key audit matter. The consolidated financial statements disclosure relating to contract assets for contract work in progress, liabilities for contract work in progress and customer advances and revenues from contracts with customers is included respectively in Notes 8, 21 and 23, 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

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responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated 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.

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

Report on compliance with other legal and regulatory requirements

Opinion 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, 2023 with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 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, 2023, 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, 2023 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, 2023 and comply with the applicable laws and regulations.

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

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

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

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

Treviso, April 8, 2024

EY S.p.A.
Signed by: Stefano Marchesin, Auditor

As disclosed by the Directors on page 43 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.

For further information about the contents of this Annual Report, please contact us directly at the following e-mail address:

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