

THE ITALIAN SEA GROUP

PICCHIOTTI
SINCE 1979

ADMIRAL

PERINI NAVI

TECNOMAR

NCA REFIT

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2022 THE ITALIAN SEA GROUP S.P.A.



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THE ITALIAN SEA GROUP

PICCHIOTTI

ADMIRAL

PERINI NAVI

TECHSMAR

NCA REFIT



LETTER FROM FOUNDER & CEO GIOVANNI COSTANTINO

Dear Shareholders,

Today we summarise the results of an extremely complex year, which brought challenges and changes not only to our Company, but to the entire world.

Completion of the acquisition of Perini Navi, the expansion of production capacity, the integration of new product lines and new exciting projects have transformed us into a completely different company from the one we listed on the Stock Exchange less than two years ago.

In particular, in 2022 we completed the acquisition of Perini Navi and integrated the related assets. The Perini brand, which has become iconic in the sailing world for its technical and stylistic innovation, already accounts for 14% of our order book just one year after the acquisition, and we expect a further boost in demand following the presentation of the new fleet, which we have entirely redesigned and innovated according to our aesthetic and research standards.

Currently, we have four Perini Navi sailing yachts under construction, including **Art Explora**, the largest sailing catamaran in the world, a project of extreme design, aesthetic and cultural value.

Another important asset of the acquisition was the Picchiotti brand, which complements our product range. Founded in Limite sull'Arno in 1575, Picchiotti is perhaps the oldest brand in the nautical world at global level, and an expression of extreme class and timeless elegance. To honour this centuries-old history, we decided to create a new product line, consistent with the characteristics of the brand: the *Picchiotti Gentleman*, designed by the extraordinary architect Luca Dini and inspired by the American yachts of the 1960s.

The *semi-custom* project covers a size range from 24 meters to 55 meters and is experiencing great commercial success, particularly in North America.

Such an expansion of the product lines was also made possible by the increase in production capacity: in fact, we are completing the important investment plans "TISG 4.0" and "TISG 4.1" on the Marina di Carrara shipyard and completed small recovery interventions on the La Spezia and Viareggio sites integrated with the acquisition.

With the acquisition of TISG Turkey, we have also internalised a very important part of our production process, facilitating the flow of investments to Turkish facilities and intensifying control over the hull and superstructure metal carpentry phase.

Our commitment to sustainability in every segment and area of the company continues, through the energy efficiency of our production sites, attention to the emissions from our products, a strong focus on the well-being and training of our employees and support to the local communities and to the companies of our production chain.

Despite the important changes and the delicate macroeconomic and geopolitical context, we managed once again to conclude the year with flying colours, meeting and exceeding all market expectations, having made many sacrifices but with a great deal of determination, without losing sight of our values and a consistent corporate vision.

The results as at 31 December 2022 place us at the top of the Guidance communicated to the market at the beginning of the year, with Total Revenues of Euro 295 million and EBITDA of Euro 47 million, almost doubled compared to the previous year. In particular, the EBITDA Margin of 15.9% positions us beyond our expectations, confirming the soundness of our strategy and the profitability of our business model.

Extremely significant is the **Order Book** figure, which exceeded **Euro 1 billion** and strengthens our positioning as the first

shipyard in Italy and fourth in the world for yachts over 50 meters, with deliveries scheduled until 2027.

The constant recognition for our brands and strategic partnerships with leading yachting brokers have enabled us to reach an increasingly global customer base, with a particular boost in demand from North America, the Middle East and Asia.

Our prestigious partnerships in the luxury world further strengthen our positioning as a consolidated international *luxury brand*.

The *Tecnomar for Lamborghini 63* project continues to be a reason for great satisfaction, pushing us into parts of the world where we had great room for growth, such as Australia and the Middle East.

In February 2023, we also unveiled the first mega-yacht designed entirely by the skilful hand of master Giorgio Armani with an exciting and immersive event, the result of a true union between two excellences of the fashion and nautical worlds.

All of this prompted the need for us to revitalise our equity story and, at the beginning of this year, we met with you to show you a completely different company from the one we presented during our Roadshow in 2021.

In a nutshell, I cannot but be satisfied with all that we have managed to achieve over the past twelve challenging months, a journey filled with constant collaboration and attention.

My gratitude goes out to the Chairman, Top Management, General and Functional Managers, Executives, Middle Managers, and long-standing consultants of our company: a team featuring huge professionalism that has accompanied me for more than ten years with passion and tenacity, believing in the challenges faced and in the desire for innovation, brilliantly overcoming any adversity, even in the most complex moments.

I would like to thank the technicians, designers, specialists, creatives, administrators, and all employees in all our offices, from the Headquarters in Marina di Carrara through Viareggio, La Spezia and Turkey for the constant commitment and skills they express on a daily basis.

Finally, I would like to thank our suppliers, that we now consider partners and that support us in every step of our growth.

A heartfelt thanks also goes to the Institutions, always present and willing to listen and evaluate our requests and needs.

I want to thank you Shareholders for continuing to believe in our “factory of emotions”: I am sure that, also in the future, we will be able to overcome the challenges and expectations of the market and continue to bring you great satisfaction.

And, last but not for importance, I want to thank from the bottom of my heart my dear friend Giuseppe Taranto, *the* Manager who has supported me in thirty years of professional but above all personal relationship, of deep respect and brotherhood.

We will forever cherish the memory of his elegant and humane approach, and we will continue to express those values of respect, responsibility and dedication that he deeply cared for.

Giovanni Costantino

Founder & CEO



THE ITALIAN SEA GROUP

SUMMARY DATA AND GENERAL INFORMATION

Name: The Italian Sea Group S.p.A. ("TISG S.p.A.")

Registered office: Viale Cristoforo Colombo, 4-bis, 54033 Marina di Carrara (MS)

Tax Code: 00096320452

Number of registration in the Register of Companies of Carrara - Economic and

Administrative Index : no. 65218

METHODOLOGICAL PREMISE

In compliance with the reference IAS/IFRS framework, the consolidated financial statements of The Italian Sea Group as at 31 December 2022 show the balances of the consolidated financial statements of TISG as at 31 December 2021 as comparative data.

Below is the reconciliation statement between the Parent Company's Financial Statements and the Consolidated Financial Statements.

31.12.2022		
(in thousands of Euro)	Shareholders' Equity	Operating result
Financial Statements of The Italian Sea Group S.p.A.	109,202	24,247
Derecognition of intercompany transactions	- 201	- 201
Total attributable to the Shareholders of the Parent Company	109,001	24,046
Shareholders' equity and minority interests	-	-
Total of the Consolidated Financial Statements	109,001	24,046

CORPORATE AND CONTROL BODIES

BOARD OF DIRECTORS



FILIPPO MENCHELLI
Chairman of the BoD



GIOVANNI COSTANTINO
Chief Executive Officer



MARCO CARNIANI
Vice Chairman of the BoD



GIANMARIA COSTANTINO
Non-Executive Director



MASSIMO BIANCHI
Independent Board Director



ANTONELLA ALFONSI
Independent Board Director



FULVIA TESIO
Independent Board Director

CONTROL, RISKS & SUSTAINABILITY AND RELATED PARTIES COMMITTEE

President of the CRS	Massimo Bianchi
Standing Member	Fulvia Tesio
Standing Member	Antonella Alfonsi

APPOINTMENT AND REMUNERATION COMMITTEE

President	Fulvia Tesio
Standing Member	Massimo Bianchi
Standing Member	Antonella Alfonsi

BOARD OF STATUTORY AUDITORS

President of the Board of Statutory Auditors	Felice Simbolo
Standing Auditor	Barbara Bortolotti
Standing Auditor	Mauro Borghesi
Alternate Auditor	Anna Lisa Naldi
Alternate Auditor	Luisa Bortolotti

SUPERVISORY BODY PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/01

President of the Supervisory Body	Annalisa De Vivo
Member	Carlo De Luca
Member	Felice Simbolo

INDEPENDENT AUDITORS

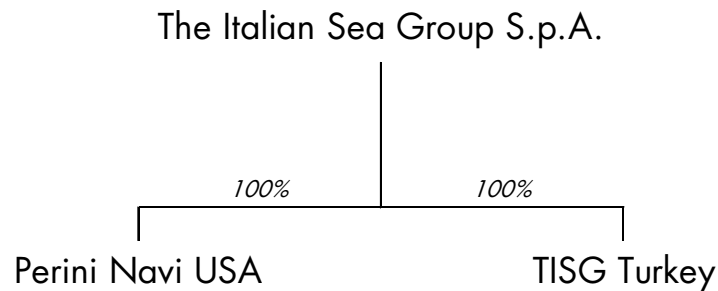
BDO Italia S.p.A.

MANAGER RESPONSIBLE FOR PREPARING THE FINANCIAL REPORTS

Marco Carniani

GROUP PROFILE AND STRUCTURE

The Italian Sea Group S.p.A. based in Marina di Carrara (MS) is a global operator in the luxury yachting sector active in the construction and refit of sailing and motor yachts up to 140 metres with its **Picchiotti**, **Admiral**, **Perini Navi**, **Tecnomar** and **NCA Refit** brands.



SHIPBUILDING

Construction of new yachts through the Picchiotti, Admiral, Perini Navi and Tecnomar brands.

REFIT

Ordinary and extraordinary maintenance of sailing and motor yachts, built both by the group and by third-party manufacturers.

INFORMATION ABOUT THE GROUP

The Italian Sea Group S.p.A. ("TISG") is one of the most renowned operators in the luxury yachting sector at international level, specialising in the design and construction of sailing and motor yachts from 17 meters to 100 meters and over. With the Picchiotti, Admiral, Perini Navi and Tecnomar brands, the Group is first in Italy and fourth in the world for the construction of yachts over **50 meters**¹.

Over the last **13** years, TISG has further strengthened its positioning in the luxury world through important partnerships with two leading brands in the sector: **Automobili Lamborghini**, for the construction of limited-edition fast yachts - *Tecnomar for Lamborghini 63* - and **Giorgio Armani**, with whom the Company collaborates for the design of external lines and the furnishings of some yachts.

The Group has a business unit, **NCA Refit**, dedicated to the ordinary and extraordinary maintenance of sailing and motor yachts of any brand, with a particular *focus* on vessels between 60 and 140 meters.

TISG has always stood out for its ability to offer its Shipowners extensive experience in the luxury world, which translates into high quality workmanship, obsessive attention to detail, technological innovation and design. These elements, combined with passion, *know-how*, professionalism, taste for beauty and art, hospitality, and

attention to the customer, characterise the uniqueness of the Group's philosophy.

The Italian Sea Group's yachts, due to their size and type, are aimed at a clientele mainly composed of Ultra High Net Worth Individuals (UHNWI) and experienced Shipowners who already own other vessels.

PICCHIOTTI

The Picchiotti name has been inextricably linked to the history of Italian and Mediterranean seafaring since 1575.

This long tradition began with work boats, passing on to ocean-going sailing ships, then important military orders, leading to the pioneering years of the first pleasure yachts.

The largest ship ever built by the brand is the **103-meter Al Said of 1982**, which was created in Marina di Carrara, in the warehouses of The Italian Sea Group S.p.A.

With the Picchiotti brand, The Italian Sea Group developed, together with the **Luca Dini Design & Architecture** firm, the semi-custom line "**Gentleman Picchiotti**", an entire fleet of motor yachts from 24 to 55 meters, inspired by the silhouette of the American yachts of the 1960s, offering timeless elegance and cutting-edge engineering solutions.

¹ Source: Global Order Book 2022

ADMIRAL

The first Admiral boat, an 18-metre wooden boat, was created in 1966. The first wooden 30-metre motor yacht was launched in the mid-1970s; it was very rare and prestigious for that period. At the beginning of the 1980s, the first aluminium and steel hulls were built.

The product range Admiral offers the market today includes super-yachts, mega-yachts and giga-yachts characterised by elegance, timeless style and total customisation.

Admiral, *the flagship brand* of The Italian Sea Group, has delivered 148 yachts to date.

PERINI NAVI

Perini Navi was founded in 1983, when Fabio Perini launched the prototype of a sailing yacht that could be steered with a smaller crew than the standard of the time, thanks to the invention of an automatic sail furling system.

Over the year, the founder's vision achieved great success thus making the brand a true icon of the nautical industry, with considerable presence in the United States, in particular.

The Perini Navi fleet boasts 60 sailing yachts among the most admired in the world; one of them is the legendary The Maltese Falcon, an 88-meter clipper that marked a revolution in sailing technology, introducing the world to the sail system now known as the Falcon Rig.

TECNOMAR

Present on the market since 1987, Tecnomar is a brand specialised in the construction of fast motor yachts up to 50 meters.

The brand's main characteristics include innovative design, modern lines, sportiness and high performance; each model is a design challenge that balances the elegance of the best Italian nautical tradition and the use of innovative technologies and materials.

To date, Tecnomar has delivered **294 yachts**.

BRIEF HISTORY

The history of The Italian Sea Group began in 2009, when **GC Holding S.p.A.**, a company owned by the entrepreneur Giovanni Costantino, acquired 100% of **Tecnomar S.p.A.**

Despite the critical phase experienced by the market, made worse by a persistent credit restriction and the continuous financial defaults of shipowners, which flooded the market of used yachts, the Group acquired the **Admiral** brand in November 2011, further expanding its range. The rapidly growing number of contracts and the increase in the size of yachts delivered leads to the need to invest in a large production site with direct access to the sea.

In 2012, **GC Holding S.p.A.** acquired 100% of **The Italian Sea Group S.p.A.**, which built commercial and cruise ships within the Marina di Carrara shipyard.

The shipyard in Marina di Carrara, which today is the home of TISG's headquarters, was established in **1942** and was equipped with modern and advanced systems for the time, enabling it to produce medium-tonnage ships even then.

During the 1950s and 1960s, development in equipment allowed the shipyard to build ever larger constructions. In 1973, the structure was further expanded with the construction of a basin of 200 metres in length and 35 metres in width.

The acquisition allowed the employment levels to be maintained and the relaunch of a company in crisis, but with a recent past as a leading player in the large shipbuilding industry, through the expansion of production capacity and retaining valuable know-how specialising in the construction of large ships.

Significant investments have been made over time, such as the expansion and complete renovation of the registered office of the Group, the organisation of areas dedicated to new productions, the construction of a steel plant, an upholstery fitting studio and the expansion of the areas dedicated to refit activities started in 2015.

In 2020, the Board of Directors of TISG approved an investment plan ("**TISG 4.0**") for approximately Euro 40 million, with the aim of further increasing the production capacity of the shipyard.

To date, the Marina di Carrara office covers an area of approximately 120,000 square meters and boasts an absolutely strategic position, especially for **NCA Refit**.

Overlooking the Mediterranean, at a short distance from famous Italian tourist and recreational destinations - and consequently a privileged stopover for yachts sailing in this sea - the shipyard is equipped with state-of-the-art technical facilities and recreational spaces for crews that, combined with the team's expertise and the quality of its services, allow the Group to be an important reference point for Shipowners from all over the world.

The headquarters boast a state-of-the-art production site equipped with **two dry docks** of 200 metres and 147 metres respectively, 11 separate production areas,

a total lifting capacity of 1,000 tonnes and 3,300 tonnes of floating barge, which is enhanced and restructured for launching yachts and mega-yachts up to 100 metres.

management, favouring direct investment strategies from TISG to TISG Turkey.

The Board of Directors of the Group resolved on a further investment plan on **4 November 2021**, called "**TISG 4.1**", worth **Euro 14 million**, which will be completed by the year 2022.

On **22 December 2021** TISG, through its wholly owned subsidiary, **New Sail S.r.l.** (merged by incorporation on **10 June 2022**), was awarded the auction called by the Court of Lucca for the bankruptcy of Perini Navi S.p.A., for a total price of **Euro 80 million**.

The business complex includes the industrial and real estate assets of the shipyards in Viareggio and La Spezia, the real estate assets of Pisa, a ship under construction, trademarks and patents, the shareholding (100%) in **Perini Navi U.S.A. Inc.** and the existing legal relationships with employees and third parties.

In **August 2022**, The Italian Sea Group S.p.A. completed the acquisition of 100% of the shares of **TISG Turkey Yat Tersanecilik Anonim Sirketi ("TISG Turkey")** from GC Holding S.p.A. for a value of Euro 150,000.

In the Consolidated Financial Statement concerning the 2022 Financial Year, TISG Turkey has not been consolidated, as it was deemed not relevant for the purposes of the information of the Group's activities.

This transaction allowed the Group to consolidate the entire production process, ensuring even more integrated operations

SHAREHOLDING STRUCTURE

On 3 June 2021, the offer for the sale and subscription of the Parent Company's ordinary shares for the purpose of listing on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., now called Euronext Milan ("EXM"), was completed, and 8 June 2021 represented the first day of trading of the Parent Company's shares.

The updated company structure is as follows:

SHAREHOLDERS	%
GC Holding	62.68%
Alychlo NV(*)	11.39%
Giorgio Armani S.p.A.	4.99%
Market	20.94%

(*) including the shares allocated directly and indirectly to Mr Marc Coucke

BUSINESS DEVELOPMENT

Over the years, TISG has strengthened its presence in both European and non-European international markets. During 2022, it also signed important partnership agreements with the most prestigious international brokers to consolidate its positioning in Asia and the Middle East.

The American market is also expanding strongly: only at the end of 2020, in fact, this area accounted for about 1% of the Order Book, while to date it represents over 30%.

In addition, the Group's commercial strategy envisages its presence at all the most important boat shows in the world, the opening of showrooms in prestigious locations - the first flagship store in Porto Cervo, Costa Smeralda, was opened in June - and an increasingly special relationship with end customers, who are hosted at the Marina di Carrara headquarters and have the opportunity to experience first-hand the quality of the product and the technical skills of the Team, as well as the attention to detail and the very high level of service.

"The Village" was created within the shipyard as a space dedicated to the well-being and entertainment of shipowners, crews and employees and is equipped with an elegant lounge bar, a gourmet restaurant, a gym and a SPA.

In 2022 The Italian Sea Group S.p.A. reconfirmed its position in the Global Order Book, a ranking of global builders of yachts over 24 meters drawn up annually by Boat International, and was ranked fourth place

in the segment of yachts over 50 meters, a segment in which it came first in Italy, with an Order Book that exceeded **Euro 1 billion** as at 31 December 2022.

TISG is now permanently present in all strategic luxury yachting markets and sells its products to Ultra-High Net Worth Individuals from all over the world.

With regard to production capacity, with the completion of the acquisition of the Perini Navi S.p.A. business complex, the Group acquired the La Spezia and Viareggio shipyards. The **"TISG 4.0"** and **"TISG 4.1"** investment plans are being completed, and they respectively envisaged: (i) a new warehouse, a new dry-dock and coverage of the original basin; (ii) the expansion on the church quay, the relocation of Lamborghini production to La Spezia and the construction of an additional warehouse.

In addition to this production capacity, there are also facilities in Turkey, where TISG builds hulls and superstructures through a network of specialised partners operating on around five shipyards.

PRESENCE ON FINANCIAL MARKET'S

THE TISG SHARE

The Italian Sea Group S.p.A. share has been listed on "Euronext Milan" managed by Borsa Italiana since 8 June 2021, with a placement price of **Euro 4.90**.

The share capital is **Euro 26,500,000**.

Intermonte acts as a **Specialist** for the Company.

The following are the stock exchange codes relating to the TISG share:

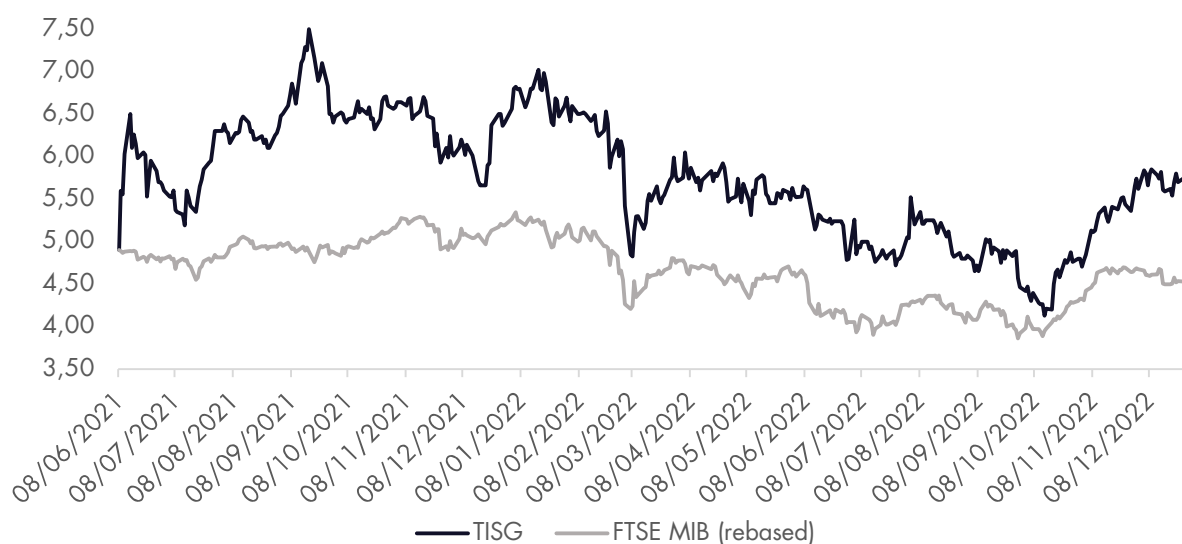
Alphanumeric code: TISG

Bloomberg: TISG: IM

Reuters: TISG.MI

TISG is also present on the following stock market indices: FTSE All-Share, FTSE All-Share Capped, FTSE Italia Small Cap and Italy MSCI Micro Cap Index.

Price trend of the share from 8 June 2021 to 31 December 2022



At the end of 2022, the share price of The Italian Sea Group rose by +15.7% from the placement price (Euro 4.90), despite the significant impact suffered in March and April 2022 due to the challenging macroeconomic and geopolitical context, closing the last trading session of the year at Euro 5.67.

In comparison, the FTSE MIB index of Borsa Italiana fell by -8.1% in the same period.

INVESTOR RELATIONS

Analyst Coverage

The security is currently hedged by **three financial brokers** (Intermonte, Berenberg, and MidCap), with a unanimous “**BUY**” recommendation and an **Average Target Price** of Euro **10.67** in **February 2023**, following the Group’s first **Capital Markets Day (24 January 2023)**, which illustrated an update of the strategy and the economic-financial outlook for 2023 and 2024.

Broker	Analyst	Recommendation	Target Price (Eu)	Last update
Intermonte	Francesco Brilli	BUY	11.00	25/01/2023
Berenberg	Remi Grenu	BUY	12.00	25/01/2023
Midcap	Filippo Migliorisi	BUY	9.00	25/01/2023

Meetings with Investors and the financial community

Throughout 2022, The Italian Sea Group continued to invest in financial communication and opportunities to meet - both in virtual and physical format - with shareholders, potential investors and with the financial community in general, particularly in the second half of the year.

TISG held **four Conference Calls** to present its financial results on the following occasions:

- **24 March 2022** - Presentation of the Draft Financial Statements as at 31 December 2021
- **11 May 2022** - Presentation of results as at 31 March 2022
- **13 September 2022** - Presentation of half-yearly results as at 30 June 2022

- **10 November 2022** - Presentation of results as at 30 September 2022

With a view to constant dialogue with all shareholders in general, TISG also participated in a series of conferences, organised in collaboration with its financial brokers:

- **8 February 2022** - Frankfurt MidCap Conference | Intermonte
- **14 March 2022** - EU Opportunities Conference | Berenberg
- **12 May 2022** - TP ICAP Paris Conference | MidCap
- **23 - 25 May 2022** - US Conference | Berenberg
- **14 September 2022** - Mediobanca Branded Goods Conference | Mediobanca
- **29 - 30 September 2022** - Excellence of Made in Italy | Intermonte
- **17 November 2022** - MidCap Conference Madrid | Intermonte

TISG met a total of over **120 individual institutional investors** through conferences, dedicated roadshows, on-site visits and one-to-one meetings, face-to-face or virtual.

Financial Calendar 2023

Below is the calendar of corporate events in 2023.

DATE	EVENT
Tuesday 24 January 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve the preliminary data at 31 December 2022 ; Capital Markets Day - update of the strategy and economic-financial outlook.
Tuesday 21 March 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve the draft financial statements at 31 December 2022 .
Thursday 27 April 2023	<ul style="list-style-type: none"> Shareholders' Meeting for the approval of the Financial Statements at 31 December 2022.
Wednesday 10 May 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve selected information indicative of business performance for the first quarter of 2023 (*) (Revenues; EBITDA; Backlog; Net Financial Position) and related press release containing quarterly information. <p><i>(*) Information not subject to even limited audit.</i></p>
Thursday 7 September 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve the half-yearly financial report at 30 June 2023 .
Tuesday 7 November 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve selected information indicative of business performance for the third quarter of 2023 (*) (Revenues; EBITDA; Backlog; Net Financial Position) and related press release containing quarterly information. <p><i>(*) Information not subject to even limited audit.</i></p>

MARKET OUTLOOK

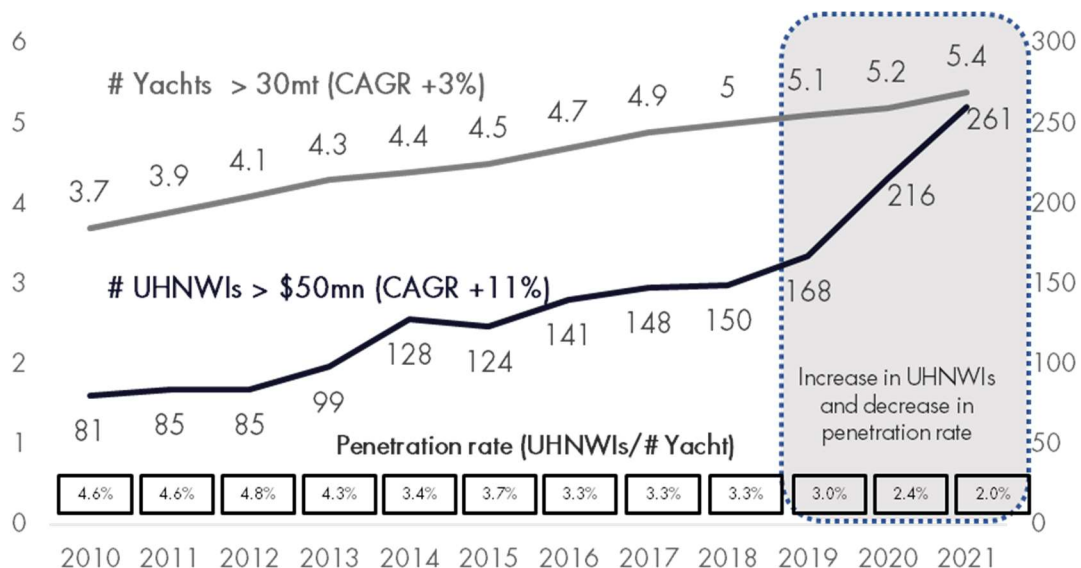
SHIPBUILDING DIVISION

Customer base and market penetration

The Italian Sea Group operates in an extremely resilient market segment, with a customer base represented by **Ultra-High Net Worth Individuals (UHNWI)**, i.e. individuals with assets equal to or greater than **USD 50 million**.

This category, almost immune to the shocks that are due to unfavourable macroeconomic or geopolitical conditions, has undergone a strong global increase in recent years, growing with a **CAGR of 11%** from 2010 to 2021 and with an **8%** growth expected from 2021 to 2026 (+118k of people globally). This growth will mainly affect the regions of APAC (CAGR 21-26E +12%) and North America (CAGR 21-26E +6%)².

It is important to note that, despite the strong growth in the potential customer base, the number of yachts over 30 metres from 2010 to 2021 grew with a CAGR of 3%³, resulting in a penetration rate of **2%**. This figure poses an expansion opportunity for TISG, given by a customer segment that, though featuring little penetration, is extremely resilient.



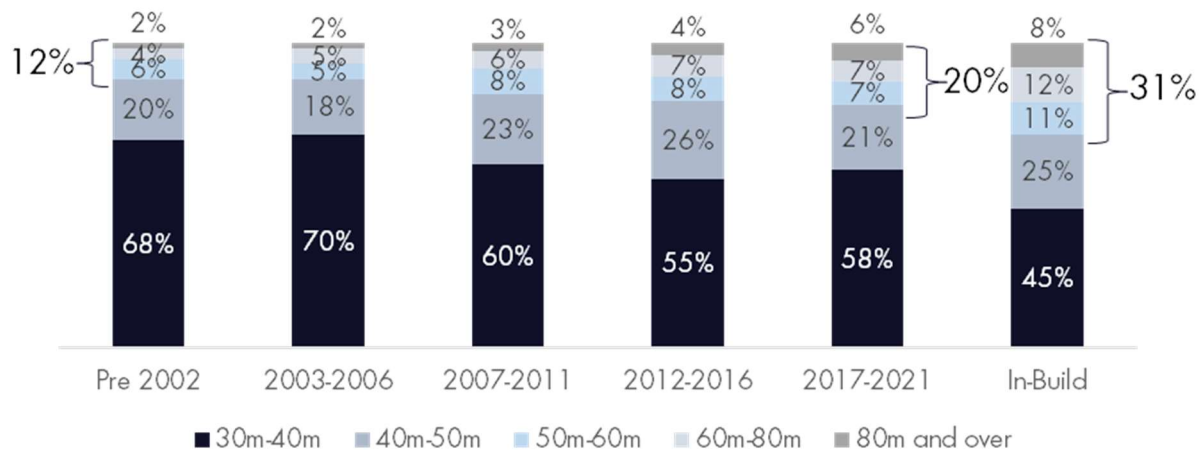
² Source: Credit Suisse, Global Wealth Report 2022.

³ Source: SuperYacht Times, The State of Yachting 2022.

Increased demand in large sizes

The Italian Sea Group operates mainly in the large-scale yacht segment; in fact, according to Boat International's annual ranking, the **Global Order Book**, TISG is once again the **first Italian shipyard** and the **fourth in the world** for the construction of yachts over 50 meters in length, which as at 31 December 2022 account for **85% of the Group's Order Book**.

The demand for large yachts has increased considerably in the last twenty years: in 2002, in fact, the category of yachts over 50 meters only accounted for 12% of the fleet under construction: in 2022 this percentage reached approximately 31%⁴.



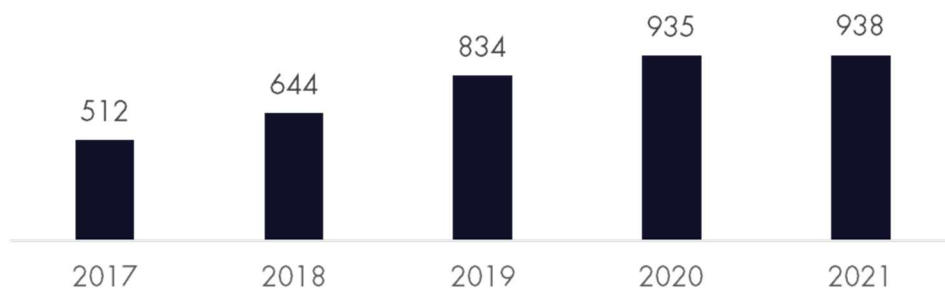
This strong increase is due, on the one hand, to the rise in UHNWI, i.e. potential customers with spending power oriented towards large-sized yachts, and on the other to a growing new desire for exclusivity and comfort on the part of these wealthy individuals. In particular, after the pandemic, this category of customers felt the need to build real completely customised "travelling islands" for themselves and their families, where they can live life without restrictions and in total safety and *privacy*.

⁴ Source: SuperYacht Times, The State of Yachting 2022.

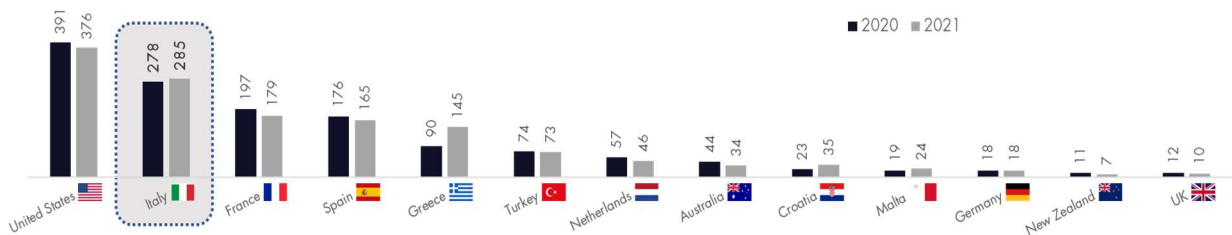
REFIT DIVISION

Refit represents an extremely anti-cyclical activity for The Italian Sea Group, as ordinary maintenance is in many cases mandatory to keep the yacht compliant with standards that change over the years. This activity also allows the Group to expand its customer base and stay up-to-date on the “state of the art” of the sector.

It is also an activity with very strong entry barriers, as it requires the right technical experience, significant investments in production capacity and equipment and a reputation built over time towards shipowners and crews.



In recent years, the number of Refit activities for yachts over 40 meters has increased exponentially, with a CAGR 17-21 of 16%⁵, certainly due to the rising number of yachts at sea and the ageing of the global fleet.



It is important to highlight how, over the years, Italy has become the reference point for Refit in Europe, not only as the country with the largest number of dedicated *facilities*, but also in terms of the number of activities carried out, recording a considerable increase between 2020 and 2021 compared to other countries active in the sector. In fact, during 2021 and 2022, TISG completed a series of investments on its production capacity dedicated to Refit to accommodate the growth in demand, both at the Marina di Carrara site and at the La Spezia shipyard.

⁵ Source: SuperYacht Times, The State of Yachting 2022.

INVESTMENTS

The history of The Italian Sea Group is based on strategic acquisitions, relaunch of historical brands and significant investment strategies, in particular on the production capacity and on the efficiency of its structures in order to increase the offer of services and facilities available to customers, suppliers and employees, starting from the *Village*, inaugurated in Marina di Carrara in 2019.

Services

The *Village* is an area dedicated to Shipowners, employees, captains and crews and represents a strong competitive advantage for TISG compared to other shipyards that offer refit services in the Mediterranean, as an added value for captains and crews, the main decision-makers in the choice of the construction site where to carry out maintenance activities.

The structure, which is spread over two floors, includes: (i) a Gourmet Restaurant with Lounge Bar and relaxation area; (ii) a gym equipped with a dedicated personal trainer; (iii) and a wellness center and SPA with Turkish bath, saunas, emotional shower, whirlpool tub and bed with "Zero-Body" technology.

Internalisation

Operating according to a ground-breaking approach compared to the historical trends in the nautical sector, TISG was one of the first operators to make significant investments aimed at internalising some of the phases of the production chain with the highest added value, such as: (i) **Steel mill**, in-house workshop in which all the steel trimmings that will later be mounted on the yachts under construction are made; (ii) **Upholstery**, a division that produces all the leather and woven upholstery and all the upholstery details of the projects in progress; (iii) **Outfitting structures**, dedicated to the assembly of technical elements on board.

Insourcing these activities allows the Group to have more control over these activities and promotes significant cost containment while ensuring the high quality standards required by Shipowners and their Surveyors.

In addition, The Italian Sea Group has an internal **Style Center**, composed of about 30 young architects, who work together with customers who request it in order to develop the design of the internal and external lines of the yachts, promptly responding to their every need.

Production Capacity

Since 2018, The Italian Sea Group has invested around **Euro 68 million** in expanding production capacity within its shipyards: to date, the Group operates on 3 shipyards in Italy (Marina di Carrara, La Spezia and Viareggio) and on a series of structures in Turkey for the construction of the hull and superstructure.

Marina di Carrara

At the beginning of 2020, TISG approved an investment plan called “**TISG 4.0**”. The investment, aimed at strengthening the facilities in Marina di Carrara and ending in the first half of 2023, included the following interventions:

- (i) Construction of a **new warehouse** capable of accommodating up to **two yachts** of about 80 meters under construction;
- (ii) Construction of a **new dry-dock** with a maximum capacity of **four yachts between 60 and 70 meters** and **vessels up to 140 meters** ;
- (iii) The construction of an **additional warehouse to cover the original dry-dock** , capable of accommodating up to **two yachts** of approx. **90 meters** or a **100-meter yacht** under construction.

Subsequently, at the end of 2021, the Group approved an additional investment plan, called “**TISG 4.1**” to further increase production spaces in the Headquarters through:

- (i) Expansion on the **Church Quay** to increase the spaces dedicated to refit activities, creating new mooring spaces for large yachts;
- (ii) A **new warehouse** next to the old dry-dock, capable of accommodating up to **four yachts between 75 and 80 meters** under construction;
- (iii) **New spaces** in the old Lamborghini warehouse, dedicated to inventories and services for new buildings.

The “**TISG 4.1**” investment plan will end in the first half of 2023.

La Spezia and Viareggio

The acquisition of Perini Navi has guaranteed TISG to further increase its production capacity through the integration of the two shipyards of La Spezia and Viareggio, which represent approximately 50% of the acquisition price of **Euro 80 million**.

The facilities, which were already in optimal conditions for production since the completion of the acquisition in February 2022, underwent only a few fine-tuning interventions during the year, becoming operational immediately.

Most of the investments were made at the La Spezia site, the larger of the two. In particular, the entire Lamborghini production, together with a substantial part of the refit division, were transferred to La Spezia by the end of the year.

TISG Turkey

Through TISG Turkey, the Group operates on five shipyards in Turkey, in the areas of Istanbul and Antalya, with a network of partners that handle the construction of the hulls and superstructures of the orders in progress.

TISG is responsible for the rental of two of the five shipyards on which it operates: Herculik and Naveks, both in the Yalova district (near Istanbul), which cover a total area of over 30,000 square meters.

AWARDS AND ACKNOWLEDGMENTS

During 2022, The Italian Sea Group received numerous awards, not only for the quality, design and innovation of its yachts but also for the Group's financial performance.

Among the main ones, the following are worth highlighting:

BOAT Boat International 2022
World Superyacht Awards
Voyager's Award - Perini Navi S/Y
Seahawk

 Design et Al. 2022
International Yacht &
Aviation Awards
Motor-yacht Under 25 meters - M/Y
Tecnomar for Lamborghini 63

Alychlo Alychlo Awards
Best EBITDA Growth (€)

In 2023, the 75-meter M/Y Admiral Kenshō was awarded the “**Best interior design, motor yachts**” award in the “**500GT and above**” category at the prestigious **2023 Boat International Design & Innovation Awards** that celebrate architecture, style, design and innovation technology in the nautical sector.

TISG has also continued to develop and improve its quality control systems for its products, through its internal **Quality Department** and with the contribution of external Surveyors.

Efforts in this regard have allowed the Group to continue to further reduce the number of remarks in ship deliveries: in fact, in 2022, The Italian Sea Group delivered **M/Y Viktoriia Tecnomar EVO 120** with a total of **zero** remarks, an extremely difficult objective for the sector.

SUSTAINABILITY ROADMAP

The Italian Sea Group's ESG strategy embraces every area of the Group and is aligned with best practices with the aim of creating long-term value for its stakeholders and representing a point of reference in the nautical sector.

To date, the Group has achieved numerous results in all areas (Environmental, Social and Governance) and over time has built an ambitious and challenging sustainability strategy.

In terms of **production sites**, the Group recently completed an investment on the Marina di Carrara shipyard with the construction of a photovoltaic system on top of the warehouses, able to cover 25% of the plant's consumption with a saving of 1,208 tonnes of CO₂ on a yearly basis. This project will then also be implemented at the La Spezia shipyard.

In addition, TISG purchases 100% of its residual electricity from renewable sources.

With regard to its **products**, the Group places a great deal of emphasis on research and development of projects that can represent benchmarks for the sector.

Already in 2016, TISG had delivered **Quinta Essentia**, a 55-meter mega-yacht that was then the largest hybrid yacht in the world. In 2022, The Italian Sea Group delivered M/Y Admiral Kensho, a 75-meter

yacht equipped with a “**Serial Hybrid**” propulsion system that optimises energy consumption and reduces emissions, vibrations and noise pollution.

The Italian Sea Group pays close attention to the well-being of its employees and to building solid internal know-how through dedicated training courses.

In particular, with regard to employee **safety**, the Group is **ISO 45001 certified (Occupational Health and Safety Management System)** and has made available to all employees a life insurance that covers accidents serious or fatal.

As regards **training**, TISG collaborates with the Universities of Trieste, Genoa and La Spezia to offer refresher courses to its employees and to final-year university students.

In this way, the Group not only fosters the development of the technical skills of internal resources, but prepares the ground for the future workforce, offering students better internship and apprenticeship opportunities.

TISG's commitment also extends outside the company, involving local businesses and suppliers that are an integral part of the nautical production chain.

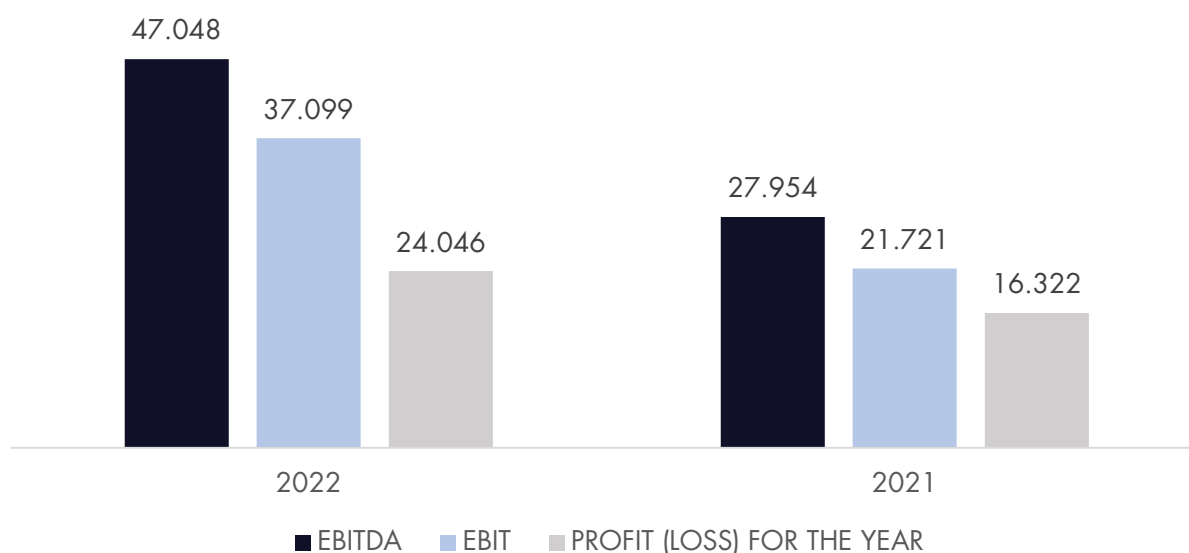
The Group also makes the reverse factoring tool available to suppliers to give them the opportunity to finance their working capital thanks to simple and immediate access to liquidity.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

<i>In thousands of Euro</i>	31/12/2022	31/12/2021
Operating revenues	291,510	186,054
Other revenues and income	7,266	4,226
Commissions	(4,093)	(4,724)
Total Revenues	294,684	185,556
Costs for raw materials	(68,133)	(46,684)
Cost for outsourced work	(117,942)	(71,278)
Technical services and consultancy	(16,700)	(4,323)
Other costs for services	(12,787)	(10,695)
Personnel costs	(29,562)	(22,117)
Other operating costs	(2,477)	(2,505)
EBITDA	47,084	27,954
<i>Percentage of total revenues</i>	<i>15.978%</i>	<i>15.1%</i>
Amortisation, depreciation, write-downs and capital losses	(9,985)	(6,233)
EBIT	37,099	21,721
<i>Percentage of total revenues</i>	<i>12.6%</i>	<i>11.7%</i>
Net financial charges	(3,817)	(3,087)
Income from extraordinary charges	(3,867)	(481)
EBT	29,415	18,153
Taxes for the period	(5,368)	(1,831)
PROFIT FOR THE YEAR	24,046	16,322
<i>Percentage of total revenues</i>	<i>8.2%</i>	<i>8.8%</i>

TREND OF CONSOLIDATED ECONOMIC INDICATORS 2022 - 2021

(In thousands of Euro)



OPERATING REVENUES

The item **Operating revenues** increased by **56.7%**, amounting to **Euro 291,510 thousand** as at 31 December 2022 compared to **Euro 186,054 thousand** in the previous year.

This item is divided between the two divisions **Shipbuilding** and **Refit**.

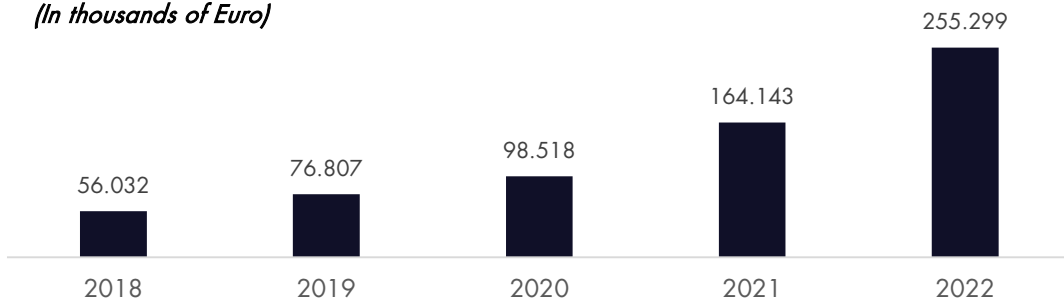
SHIPBUILDING

The revenues of the **Shipbuilding** division amounted to a total of **Euro 255,299 thousand** as at 31 December 2022, up compared to **Euro 164,143 thousand** recorded in 2021.

Over the last four years, revenues linked to the sale and production of new yachts have grown with a **CAGR 18-22** of **46%**.

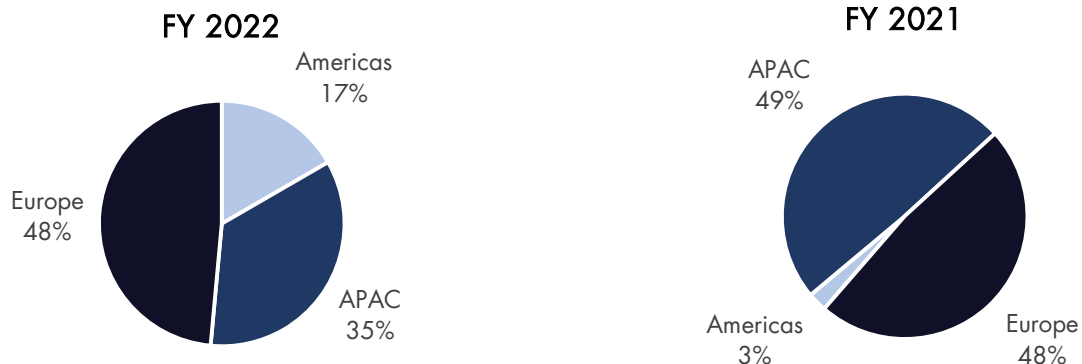
SHIPBUILDING REVENUES 18-22

(In thousands of Euro)

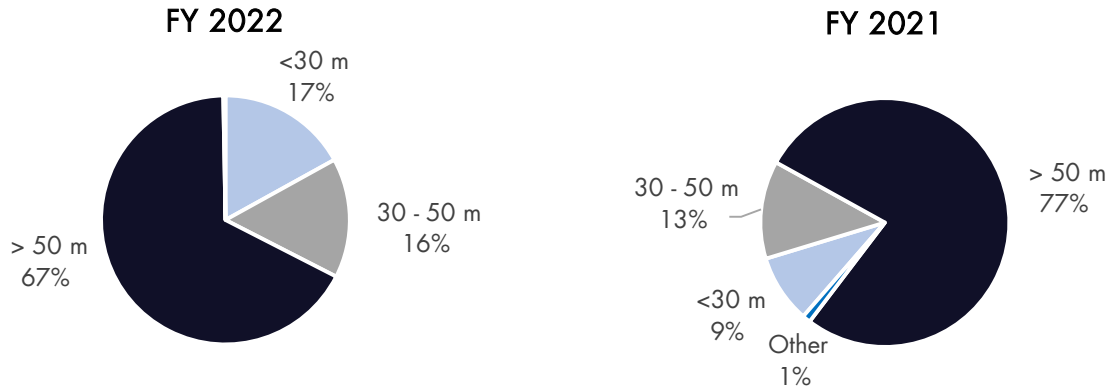


The breakdown of Shipbuilding revenues is as follows:

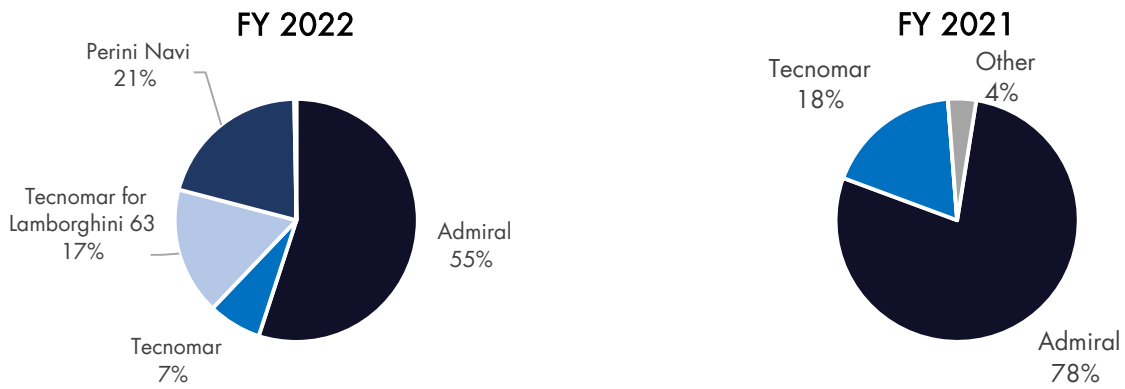
Breakdown by Geographical Area



Breakdown by Size



Breakdown by Brand

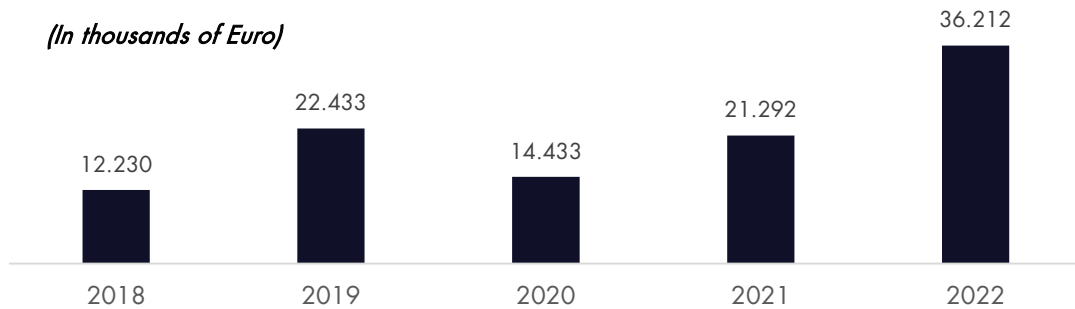


REFIT

Revenues of the **Refit** division amounted to a total of **Euro 36,212 thousand** as at 31 December 2022, up compared to **Euro 21,912 thousand** recorded in 2021.

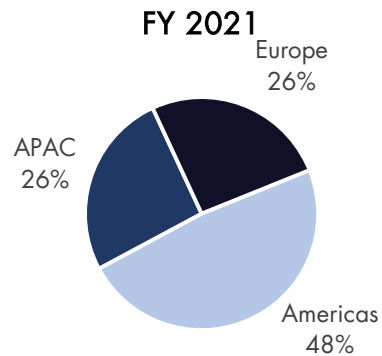
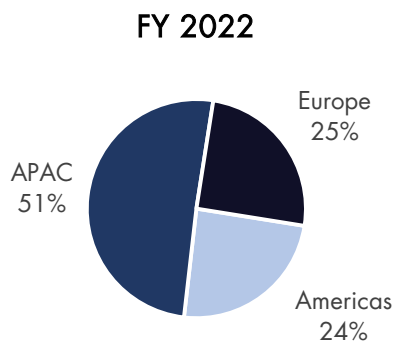
Over the last four years, revenues related to ordinary and extraordinary maintenance for yachts have grown with a **CAGR 18-22** of **31%**.

REFIT REVENUES 18-22

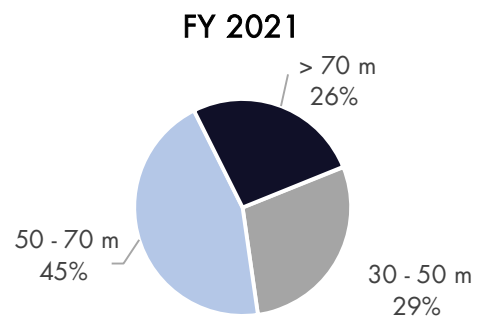
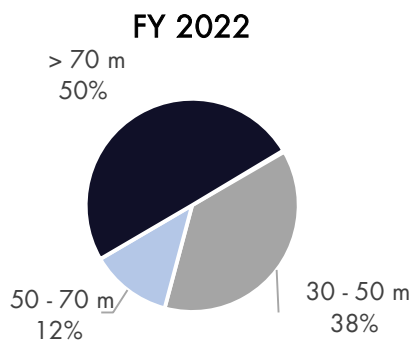


The breakdown of Refit revenues is provided below:

Breakdown by Geographical Area



Breakdown by Size

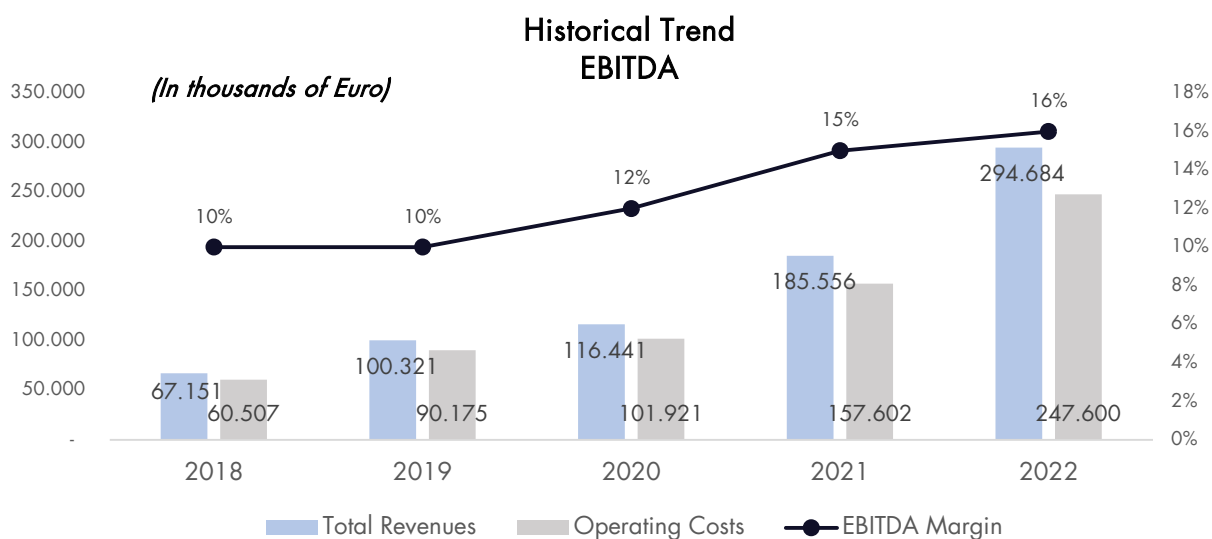


CONSOLIDATED EBITDA

EBITDA as at 31 December 2022 was Euro **47,084 thousand**, up **68.4%** compared to EBITDA as at 31 December 2021 (equal to Euro **27,954 thousand**), with a margin on Total Revenues of **16%** (vs an EBITDA Margin of 15% at the end of the previous year).

The increase in operating margins over time is attributable to:

- Strong focus on the management of operating costs;
- Improved efficiency of production processes;
- Benefits deriving from the strategy of investments in production capacity with an optimal mix of synergies between Shipbuilding and Refit activities;
- Increase in product margins, due to a constant affirmation of the Group's brands towards shipowners and brokers all over the world;
- Economies of scale.



It is important to remember that, in accordance with its sales strategy, the Group does not accept trade-ins, thus eliminating inventory risk and risks deriving from the sale of used yachts.

EBITDA corresponds to the net result adjusted by financial management, taxes, amortisation of fixed assets as well as non-recurring components. The EBITDA thus defined represents the indicator used by the Group to monitor and assess its operating performance; since it is not defined as an accounting measure within the scope of International Accounting Standards, it should not be considered an alternative measure for assessing the performance of operating results.

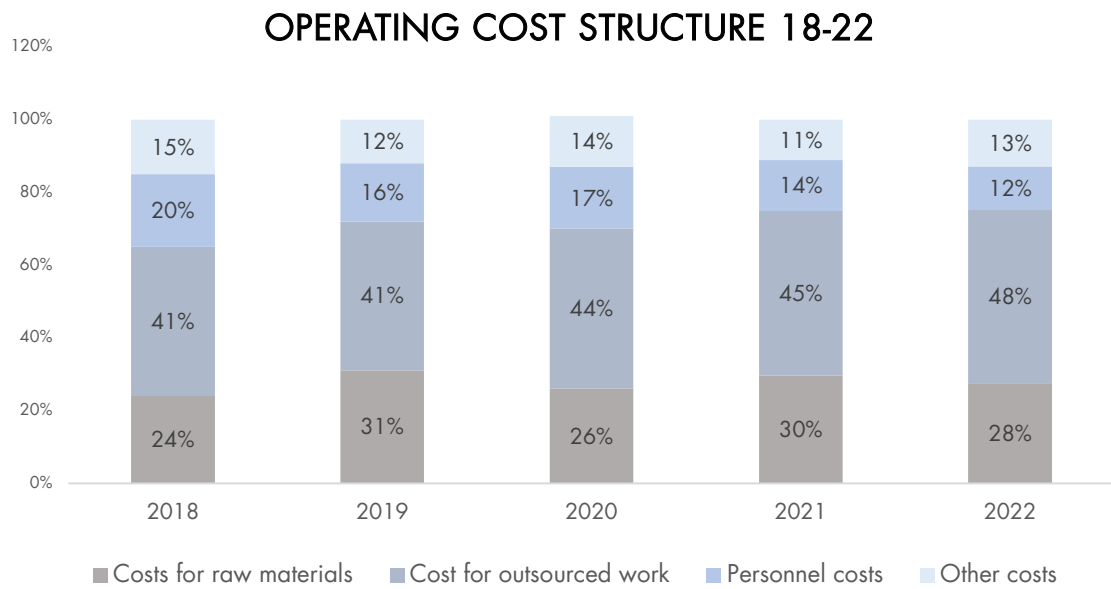
Since the composition of EBITDA is not defined by the reference accounting standards, the calculation criterion applied by the Group may not be the same as the one adopted by other entities and therefore may not be comparable.

EBIT

EBIT as at 31 December 2022 amounted to **Euro 37,099 thousand** - an increase of **70.7%** compared to the end of the previous year of **Euro 21,721 thousand** - with an impact on Total Revenues of **12.6%** against amortisation, depreciation, write-downs, provisions and losses which as at 31 December 2022 amounted to **Euro 9,985 thousand** .

OPERATING COSTS

The structure of **Operating Costs** is basically in line with that of the previous year with a lower incidence of personnel costs due to the extreme structural and operational efficiency of the organisational structure despite the fact that the number of employees is constantly increasing also thanks to the integration of employees from Perini Navi.



BACKLOG

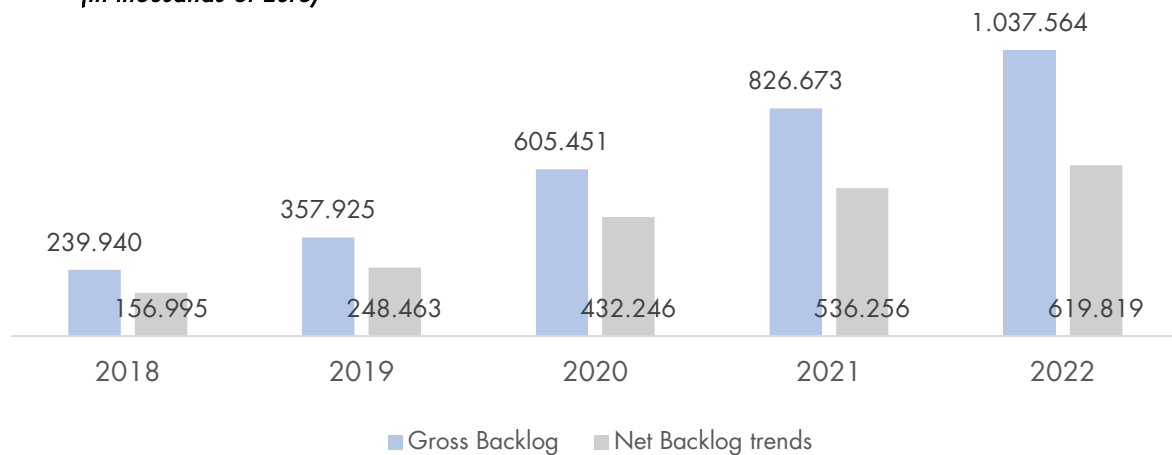
The development of TISG's business is linked to the visibility and quality of its **order book** (Gross Backlog) and the consequent Net Backlog, i.e. the value of contracts for existing orders net of the progress already paid by the customer.

As at **31 December 2022**, TISG's Gross Backlog (Shipbuilding and Refit) exceeded the threshold of **Euro 1 billion** and includes 18 mega and giga yachts and 13 Tecnomar for Lamborghini 63 under construction, or a total of 31 orders in progress, with deliveries scheduled until 2027.

From 2018 to 2022, TISG's order book grew with a **CAGR** of **44%**.

GROSS BACKLOG / NET BACKLOG 18-22

(In thousands of Euro)



<i>in thousands of Euro</i>	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Gross Backlog Shipbuilding	230,714	339,003	597,247	807,726	1,003,357
Gross Backlog Refit	9,226	18,922	8,204	18,948	34,207
Total Gross Backlog	239,940	357,925	605,451	826,673	1,037,564
Net Backlog Shipbuilding	150,386	242,410	428,892	526,639	605,832
Net Backlog Refit	6,609	6,053	3,354	9,617	13,987
Total Net Backlog	156,995	248,463	432,246	536,256	619,819

CONSOLIDATED RECLASSIFIED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Euro</i>	31/12/2022	31/12/2021
ASSETS		
Intangible assets	35,715	4,418
Property, plant and equipment	135,216	75,233
Equity investments	195	43
Net deferred tax assets and liabilities	(894)	(1,178)
Other non-current assets and liabilities	6,944	4,589
Provisions for non-current risks and charges	(3,431)	(3,066)
Provision for employee benefits	(1,251)	(760)
Net fixed capital	172,494	79,279
Inventories and payments on account	3,573	1,250
Contract work in progress and advances from customers	32,667	24,992
Trade receivables	21,469	10,236
Trade payables	(78,770)	(57,146)
Other current assets and liabilities	(31,061)	(6,746)
Net working capital	(52,122)	(27,414)
Total ASSETS - NIC	120,372	51,865
SOURCES		
Share capital	(26,500)	(26,500)
Share premium reserve	(45,431)	(45,431)
Reserves and other retained earnings	(13,023)	(4,635)
Profit (loss) for the period	(24,046)	(16,322)
Shareholders' Equity	(109,001)	(92,888)
Net financial indebtedness	(11,371)	41,023
Total SOURCES	(120,372)	(51,865)

There was a clear increase in **Net fixed capital** as at 31 December 2022, more than doubling compared to 2021: this is due to the development of the Group's investment strategy, and in particular to the acquisition of the Perini Navi business complex, the development of the **TISG 4.0** and **TISG 4.1** investment plans at the Carrara site and the implementation of the **TISG 4.2** project at the La Spezia and Viareggio sites.

During 2022, the Group made investments of Euro 22,290 thousand.

The decrease in **Net Working Capital** is due in particular to the lower item other current assets and liabilities, which includes the payment of the deposits of the new contracts for the production of Tecnomar for Lamborghini branded yachts and an

increase in trade payables linked to the rising number of orders in progress. However, this value is mitigated by the recognition of the instalments paid by customers for the progress of the projects.

Shareholders' Equity The increase in shareholders' equity, as described in more detail in the explanatory notes, is mainly due to the net profit resulting from the consolidated financial statements as at 31 December 2022 for Euro 24,046 thousand, net of the dividend paid for Euro 9,800, following the resolution of the Ordinary Shareholders' Meeting that approved the Financial Statements as at 31 December 2021 on 29 April 2022.

CONSOLIDATED NET FINANCIAL INDEBTEDNESS

The following table shows the **Net Financial Indebtedness** at 31 December 2022, which shows financial payables to: (i) banks; (ii) shareholders; (iii) other lenders, net of cash and cash equivalents:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021
A. Cash	81,317	85,615
B. Cash equivalents	0	0
C. Other current financial assets	0	0
D. Liquidity (A)+(B)+(C)	81,317	85,615
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(34)	(34)
F. Current portion of non-current financial debt	(14,163)	(7,574)
F.1 other current financial payables	(2,292)	(2,009)
G. Current financial indebtedness (E+F)	(16,490)	(9,616)
H. Net financial indebtedness (G-D)	64,827	75,998
I. Non-current bank debt (excluding the current portion of debt instruments)	(66,287)	(23,863)
J. Debt instruments	0	0
K. Trade and other non-current payables	(9,912)	(7,951)
K.1 Payables to funding shareholders	0	(3,161)
L. Non-current financial indebtedness (I+J+K)	(76,198)	(34,975)
M. Total financial indebtedness (H+L)	(11,371)	41,023

Net financial indebtedness, amounting to **Euro 11,371 thousand** as at 31 December 2022, against a positive Net Financial Position of Euro 41,013 thousand as at 31 December 2021, reflects the outlay in 2022 of **Euro 75 million** for the acquisition of the business complex Perini Navi, the investments made during the year and the payment of dividends of Euro 9.8 million.

According to IAS/IFRS accounting standards, the Net Financial Position includes the discounted value of the fees due to the Port Authorities for the state concessions of the Marina di Carrara, Viareggio and La Spezia shipyards, which amounted to Euro 6.8 million as at 31 December 2022, to be paid based on the duration of the relevant concessions.

Finally, it should be noted that the calculation of the Net Financial Indebtedness includes the Group's tax payables, mainly related to the residual amount of the debt for the facilitated definition ter (see the section on related parties).

ALTERNATIVE PERFORMANCE INDICATORS ("NON-GAAP MEASURES")

The European Securities and Market Authority (ESMA) has published guidelines on Alternative Performance Indicators ("APIs") for listed issuers.

The APIs refer to measures used by management and investors to analyse the trends and performances of the Group and that derive directly from the financial statements even though they are not envisaged by IAS/IFRS. These measures, used by the Group on a continuous and uniform basis for several years, are relevant to assist management and investors in analysing the Group's performance. Investors should not consider these APIs as a replacement, but rather as additional information to the data included in the financial statements. It should be noted that the APIs defined as so may not be comparable to measures with a similar name used by other listed groups.

In order to facilitate understanding of the Group's economic and financial performance, the Directors have identified a number of alternative performance indicators ("**Alternative Performance Indicators** " or "**APIs**"). Moreover, these indicators represent the tools that help the directors to identify operational trends and make decisions about investments, resource allocation and other operational decisions.

For a correct interpretation of these APIs, the following should be noted:

- these indicators are derived exclusively from the Group's historical data which are extracted from the general and management accounts, and are not indicative of the Group's future performance. More specifically, they are represented, where applicable, in accordance with the recommendations set forth the document no. 1415 of 2015, drawn up by ESMA (as implemented by CONSOB Communication no. 0092543 of 3 December 2015) and in points 100 and 101 of ESMA Q&A 31-62-780 of 28 March 2018;
- APIs are not required by the International Financial Reporting Standards ("IFRS") and, although derived from the Group's financial statements, are not subject to auditing;

- the APIs should not be considered as a substitute for the indicators provided by the International Financial Reporting Standards (IFRS);
- these APIs must be read in conjunction with the Group's financial information inferred from its financial statements;
- the definitions of the indicators used by the Group, insofar as they do not originate from the reference accounting standards used in the preparation of the financial statements, may not be the same as those adopted by other groups and therefore comparable with them;
- the APIs used by the Group have been prepared with continuity and uniformity of definition and representation for all the periods for which financial information is included in this annual financial report.

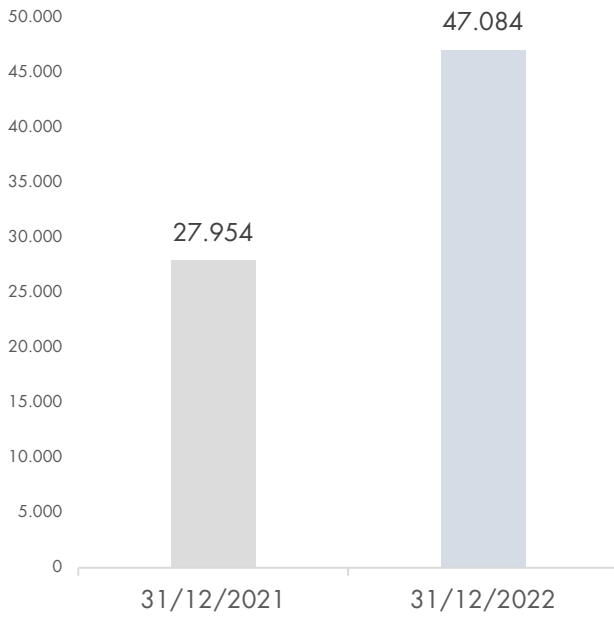
The components of each of these indicators are described below, as required by Consob Communication no. 0092543 of 3 December 2015 implementing the ESMA/2015/1415 guidelines on alternative performance indicators:

EBITDA	is equal to the result before taxes, before financial income and expenses, depreciation and amortisation, as reported in the financial statements, adjusted by the following elements: revenues from extraordinary activities; expenses from extraordinary activities; non-recurring provisions for risks (reclassified from Other Operating Costs to depreciation, amortisation, impairment losses and capital losses).
EBIT	is equal to EBITDA net of depreciation, amortisation, write-downs and capital losses.
EBT	is equal to EBIT excluding net financial expenses and extraordinary income.
Net Invested Capital	is equal to the total of net fixed assets and net working capital.

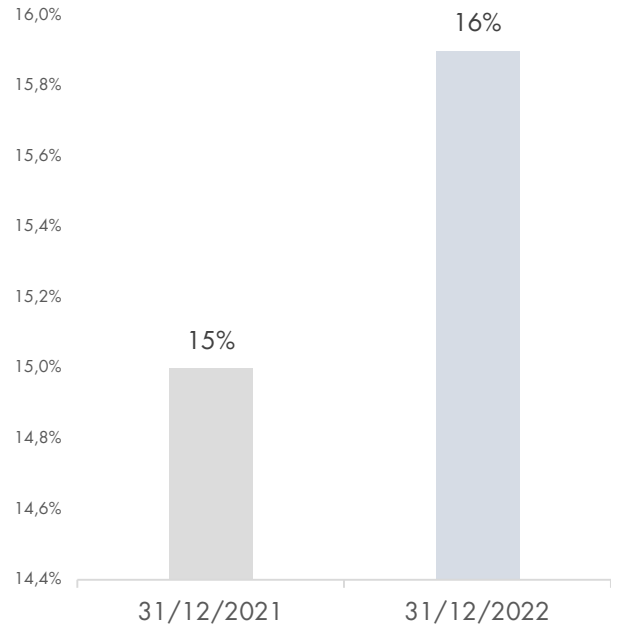
The **Net Financial Indebtedness** includes:

- Cash, including: cash and bank deposits, other cash and cash equivalents and securities held for trading;
- Net current financial indebtedness includes: current financial receivables, short-term bank debt, current portion of non-current debt, other current financial debt, and payables to funding shareholders;
- Net non-current financial debt includes: non-current bank debt, bonds issues, other non-current payables, payables to funding shareholders.

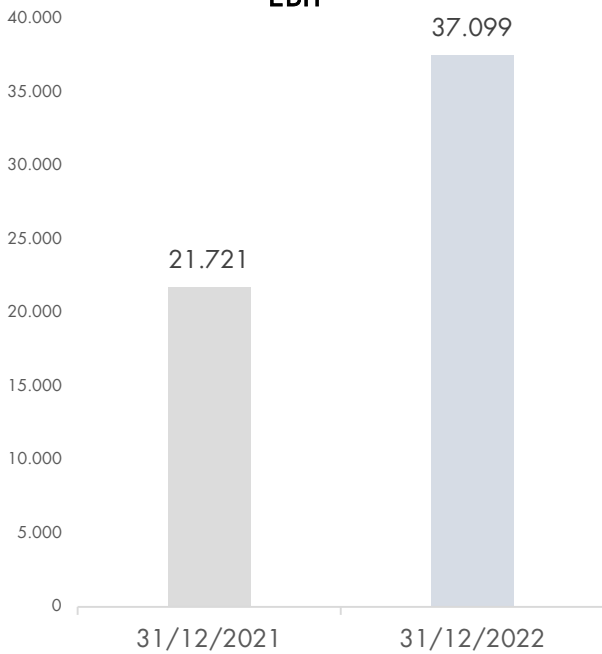
EBITDA



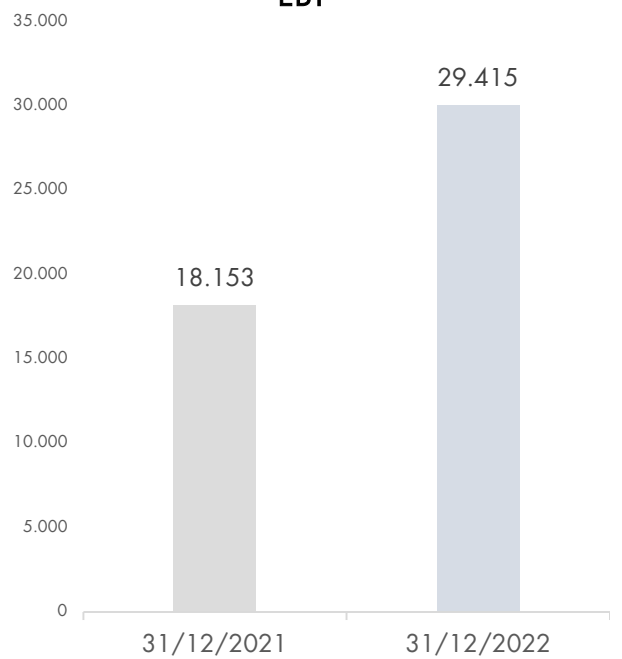
EBITDA Margin



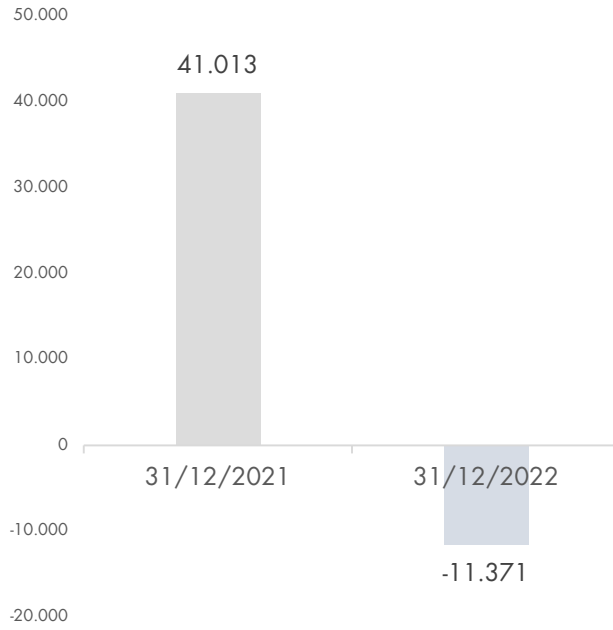
EBIT



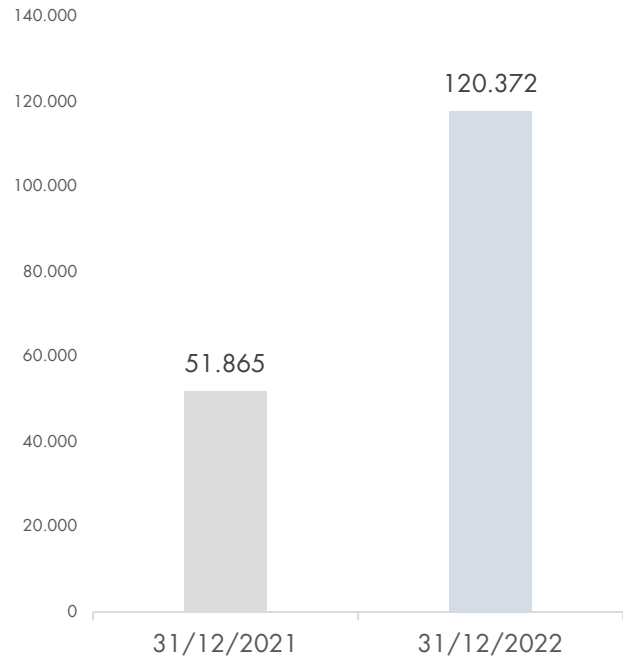
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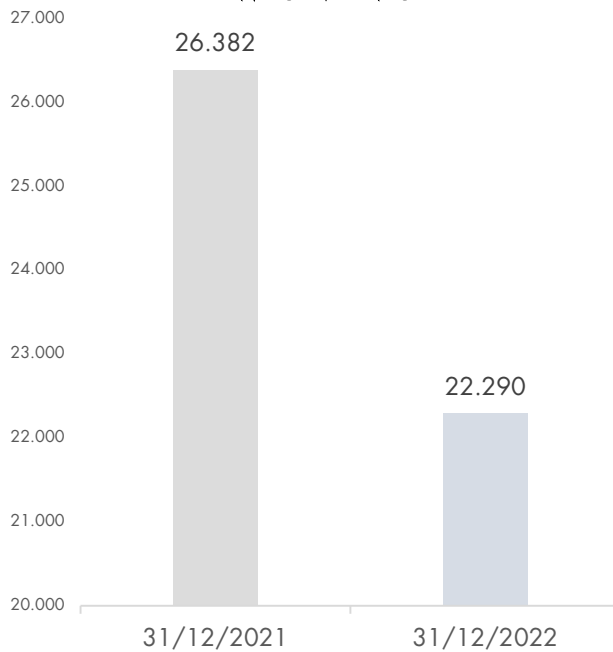
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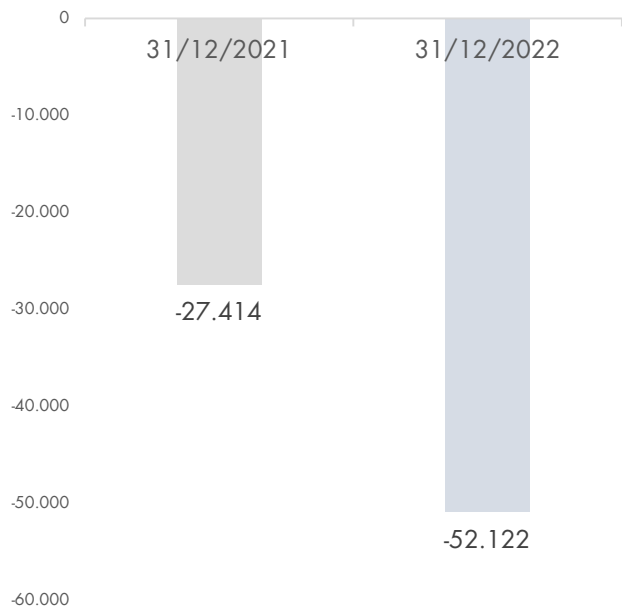
NET INVESTED CAPITAL



INVESTMENTS



NET WORKING CAPITAL



SIGNIFICANT EVENTS OF THE YEAR

On 20 January 2022, the acquisition of the business complex of the bankrupt Perini Navi S.p.A., which TISG was awarded through its wholly-owned subsidiary, New Sail S.r.l., during the auction of 22 December 2021, was finalised.

New Sail S.r.l. participated in the competitive procedure by paying a deposit of Euro 8 million and after being awarded the contract, it paid a further Euro 72 million as a balance. This amount was paid by means of the financial support made by TISG in favour of the then subsidiary New Sail S.r.l., through: i) its own cash and cash equivalents, deriving primarily from the proceeds raised during the IPO at the beginning of last June, and ii) bank credit lines, for an amount of Euro 38.9 million, made available by Banca MPS through MPS Capital Services, the Corporate & Investment Bank of the Montepaschi Group.

The Perini Navi S.p.A. business complex includes:

- 1) Movable and real estate assets of Viareggio;
- 2) Movable and real estate assets of La Spezia;
- 3) Land of Pisa;
- 4) Vessel under construction, subject of contract number 2369;
- 5) Trademarks and patents;

6) Shareholding (100%) of Perini Navi USA Inc. and,

7) existing legal relationships, including, but not limited to:

- a) Employment relationships with personnel that will be in place at the date of effectiveness of the transfer;
- b) State-owned concessions in place for the construction sites, warehouses, quays and areas of Viareggio and La Spezia at the effective date of the sale;
- c) Authorisations, licenses, permits, certifications issued in favour of Perini Navi and/or the trustee for the operation of the business complex;
- d) Contracts relating to utilities for the property complex, rental contracts for hardware and software equipment, software licenses and e-mail account licenses;
- e) Tender contracts for the security, surveillance, safekeeping and cleaning services of the Viareggio and La Spezia sites.

The consolidation of the acquisition is enabling the Group to leverage the strong internal know-how developed in the sailing yacht business, the proven experience in the appreciation of acquired assets and brands, as evidenced by the strong growth achieved through the international recognition of Admiral and Tecnomar. Furthermore, in the case of Perini Navi, this possibility of value increase will also be

favoured by the fact that the financial crisis that led to the bankruptcy has not in the least affected the value of the prestigious brand, as the prices recorded in the most recent purchases and sales on the secondary market unequivocally demonstrate.

The employees coming from Perini Navi have been rapidly and efficiently integrated inside the Group, which now can count on an additional team of professionals with a strong technical and commercial know-how in the sailing yacht sector.

Another positive aspect in perspective is the excellent track record in the refit of Perini Navi sailing yachts, with about 50% of the Perini Navi brand yachts having already passed through the TISG's shipyards. Furthermore, the integration of Perini Navi into TISG represents an exceptional opportunity for growth and development along the northern coast of Tuscany and Liguria di Levante, allowing the expansion of production capacity and making possible a potential doubling of refit orders, in addition to the acquisition of contracts for the construction of motor yachts of 90 - 130 meters.

As described above, on 14 January 2022 a loan agreement for Euro 40 million was signed with MPS Capital Services S.p.A., expiring on 31 December 2028, aimed at financing the subsidiary New Sail S.r.l. in order to make available to it the amounts due for the payment of the balance of the price following the awarding of the unified

business unit of the bankrupted Perini Navi S.p.A.

On 27 January 2022, a medium/long-term loan agreement was signed between TISG, UniCredit S.p.A. and Deutsche Bank S.p.A. for a maximum amount of Euro 32 million for the full early repayment of the previous loan of 8 May 2020 and for the support of the investments of the Group expected in the year 2022 referred to in the TISG 4.0 Project and the TISG 4.1 Project. The final reimbursement is expected in a single payment on 31 December 2028.

It is important to note the cooperation with Crédit Agricole S.A., which made available to the Group Euro 5 million relating to bank guarantees and a further Euro 3 million relating to short-term current account loans, aimed at paying suppliers, employees and taxes.

In consideration of the instrumental function that New Sail S.r.l., 100% controlled by TISG, has carried out since its establishment and in consideration of the fact that the management of the activities through two subjects active in the same sector would not meet the criteria of cost-effectiveness, on 3 March 2022, it was resolved the merger of New Sail S.r.l. into the parent company TISG.

This operation allowed: (i) to unify and integrate decision-making processes, (ii) to pursue greater management efficiency, thanks to the development of significant production, logistical, corporate and

administrative synergies, as well as (iii) to achieve administration cost containment. Since the merged company was established on 3 November 2021 and it acquired the two Perini Navi business complexes on 5 February 2022, the merger has no significant tax effects to report.

On **3 August 2022**, The Italian Sea Group announced the new fleet that brings back the Picchiotti brand, a name that has represented the excellence and elegance of the Italian naval tradition since 1575.

Created in collaboration with Luca Dini and his Design & Architecture and with the participation of Kurt Lehman and the Yacht Moments Consultant, the project represents the achievement of the ideas and need to relaunch TISG, which aimed to retrace the historic stylistic essence of the Picchiotti brand.

With the name "Gentleman", the fleet introduces TISG into the mass production segment of yachts and super-yachts, while maintaining its *ultra-high-level* positioning.

The project stems from the ambition to create a product inspired by the silhouette of the American yachts of the 1960s, exclusively and elegantly applying timeless, classic lines with innovative engineering solutions and a unique and distinctive design.

An invitation to a more human-friendly sailing, a blast from post-war aristocracy, synonymous with freedom at sea, with the added comfort and luxury of a superyacht.

On **4 August 2022**, the Board of Directors of The Italian Sea Group approved the acquisition of 100% of the shares of TISG

Turkey Yat Tersanecilik Anonim Sirketi ("TISG Turkey") from GC Holding S.p.A. for a value of Euro 150,000 and the delegation to the Chairman, Filippo Menchelli, to sign the resulting deeds.

This transaction will allow the Group to consolidate the entire production process, ensuring even more integrated and quality-oriented Operations management. It will also facilitate direct investment strategies from TISG to TISG Turkey with a view to business growth.

Following the wave of bad weather that hit the province of Massa Carrara on Thursday 18 August 2022, TISG did not record any significant impacts on the activities of the shipyard, nor any interruption in production.

Damage to structures - which were promptly repaired by the purposely set up task force - is to be considered negligible and all the assets are covered by an insurance policy.

In September, The Italian Sea Group unveiled its new line of semi-custom motor yachts, the 50-metre Admiral-branded Panorama project born from the collaboration with team of **Studio Piredda & Partners**. With an elegant and timeless profile, Panorama is a Made in Italy masterpiece in terms of form, lines and functional solutions. As evidence of the project's success, two models have already been sold within a month of its launch.

On **27 October 2022**, the Board of Directors co-opted Gianmaria Costantino as Director.

Gianmaria Costantino takes over from Giulio Pennacchio, General Manager of

NCA Refit, who had resigned from his position as a member of the Group's Board of Directors in order to be able to dedicate himself entirely to the management of the company activities under his responsibility, consequently to the intense growth the Group is recording and the further future development of the NCA Refit business.

This appointment is the first step of a succession plan that will guarantee business continuity in the years to come and a gradual generational transition.

In October, the Group also formalised its collaboration with **Malcolm McKeon**, a leader in the design of super-yachts for over 30 years with innovative and high-performance projects. The partnership will begin with the construction of the 56-metre sailing ketch. It borrows some of the most iconic stylistic features of the Perini Navi fleet, interpreting them in a modern key and combining designer input with TISG design standards. The 56-metre ketch represents the starting point for the development of the new Perini Navi fleet ranging from 47 to 90 metres.

SIGNIFICANT EVENTS AFTER YEAR END

On 23 January 2023, the Group extended its license contract with **Automobili Lamborghini** until the end of 2027.

On **24 January 2023**, the Group formalised the **Preliminary Results as at 31 December 2022** and the **2023-2024 Strategic Outlook** on the first **Capital Markets Day** in virtual format.

During the event, the Management illustrated the main economic and financial dynamics of TISG, the strategy that will be pursued in the medium/long-term, the group's growth expectations, the capital structure and the dividend policy.

On **Saturday 11 February 2023**, through an important event at the Marina di Carrara headquarters, TISG presented the hull of the first **Admiral Armani** yacht of 72 meters, in collaboration with the prestigious Italian designer who designed the exterior and interior lines.

At the **end of February 2023**, the Group announced the tragic and untimely passing of the **Vice Chairman Giuseppe Taranto**, due to an illness that lasted just under a year. On 3 March 2023, the Board of Directors met and resolved to appoint by co-optation the **CFO Marco Carniani** as **Vice Chairman** until the Shareholders' Meeting, which will renew the corporate offices.

On **2 March 2023**, TISG announced a partnership with the major brokerage firm **Edmiston**, based in London, Munich, Miami, New York, Newport and Mexico City.

Edmiston will take charge of the exclusive sale of the first new Perini Navi 47-meter yacht, an aluminium sloop with high sports performance, drawing on the proven sailing experience of **Bruce Brakenhoff**, Director of the Edmiston office in Newport, Rhode Island and Chairman of **Perini Navi USA** until 2020.

On **15 March 2023**, TISG presented, one year after the acquisition, the new and innovative Perini Navi fleet consisting of three lines of sailing vessels of: 48, 56 and 77 meters.

The fleet, called "Genesis", confirms the ultra high-level positioning of Perini Navi as a global player in large sailing yachts.

BUSINESS OUTLOOK

In the near future, The Italian Sea Group expects a positive trend for luxury yachting, with an increase in demand and a focus on mega and giga yachts over 50 metres, also as a result of the increasing global number of Ultra-High Net Worth Individuals - potential customer base - particularly in the Americas and APAC, which cumulatively account for about 60% of the Order Book as at 31 December 2022.

To address this potential growth in demand, TISG has already made its production capacity more efficient through investments and acquisitions, and can now count on the best quality of spaces, structures and know-how to best meet the demands of its customers, with an excellent production mix between the Shipbuilding and the refit division.

Constant investment in the development of a strict internal quality control system has enabled The Italian Sea Group to achieve a very high market position over the years, further strengthened by prestigious partnerships with leading international luxury companies.

In light of these considerations, during the first **Capital Markets Day** of 24 January 2023, the Group informed the market of its **strategic outlook** for the years 2023 and 2024.

MARKET POSITIONING: MEGA AND GIGA YACHTS

In the coming years, The Italian Sea Group will base the development of its business not only on an extremely resilient and continuously growing customer base, but also on a solid market positioning in the large-scale segment, in which demand has been seen drastically increase from 2002 to date.

TISG's positioning in this market segment is demonstrated by the quality and visibility of the order book, 85% of which is made up of yachts over 50 meters with deliveries expected until 2027.

The Italian Sea Group's customers are extremely global, also thanks to the strategic partnerships that the Group has signed over the years with the main brokers in the nautical sector, present in different parts of the world.

Worth mentioning in particular are **Camper & Nicholsons** for Hong Kong and China, **TWW Yachts** and **Blackorange** for the Middle East, **FGI Yacht Group** for America and **IYC** for Europe.

BRAND AWARENESS: EXCELLENCE IN QUALITY AND DESIGN

The Italian Sea Group's core business lies in the construction of large yachts with a very high level of quality and customisation,

characterised by high performance and a flexible approach to meet Shipowners' technical and aesthetic requirements.

The focus on technological and stylistic innovation represents a fundamental point of differentiation for the Group, also thanks to the "Made in Italy" label, a symbol of art, creativity, passion and craftsmanship.

For closer control over the timing and quality of its products down to the smallest detail, TISG has invested and continues to invest in the in-sourcing of the activities of the production chain with the highest added value: **steelwork**, **upholstery** and **outfitting structures** are all in-house workshops that allow the Group to ensure the timing, quality and cost of processing.

In addition, The Italian Sea Group uses an in-house Style Centre, consisting of some thirty architects following the customers who request it in the customisation of their yachts right from the basic design.

TISG also collaborates with international *archistars* in the sector, including Winch Design, Sinot, Espen Oeino, Luca Dini and others.

The success of The Italian Sea Group brand is also strengthened by the prestigious partnerships with **Automobili Lamborghini** and **Giorgio Armani**, which have contributed to consolidating the Group's positioning in the luxury segment.

SHIPBUILDING AND REFIT: SYNERGIES AND PRODUCTION CAPACITY

One of the main strengths of The Italian Sea Group lies in its production capacity, through the investment plans on the Marina di Carrara shipyard, which will be completed in the first half of 2023, and with the addition of the two shipyards of La Spezia and Viareggio deriving from the acquisition of Perini Navi.

This production capacity is distributed between the Shipbuilding and Refit divisions, leveraging operational and financial synergies, so as to be able to accommodate the production needs deriving from the growing demand in both divisions.

PERINI NAVI: RELAUNCH AND STRATEGIES

In March 2023, TISG formalised the restyling of the new Perini Navi fleet with three product lines of 48, 56 and 77 meters, respectively.

The fleet, called "**Genesis**", stems from the desire to revisit the iconic elements of the Perini Navi brand in a modern and exclusive way, with a future-oriented language and prestigious collaborations with *leading* industry stars.

SUSTAINABILITY: LONG-TERM VALUE CREATION FOR STAKEHOLDERS

To date, the Group has achieved important goals in terms of **environmental** sustainability, such as the installation of a photovoltaic panel system on the warehouses of the Marina di Carrara shipyard and the purchase of 100% of the energy used from renewable sources.

This commitment also continues by offering cutting-edge solutions in terms of products: in particular, motor yacht **Admiral Kensho (2022)** represents a benchmark for sustainable yachting thanks to the **Lloyd's Register ECO** notation and a "**Serial Hybrid**" propulsion system that optimises energy consumption and reduces emissions, vibrations and noise pollution.

Social responsibility activities include initiatives in favour of employees at all levels and an important factoring system to support the production chain. Through the **TISG Academy**, the Group also encourages the growth of its people and the development of solid know-how through training courses carried out in collaboration with the Universities of Genoa, La Spezia and Trieste.

As regards **Governance**, TISG fulfils all the requirements of best practices in terms of gender equality, composition of the Board of Directors and of the Board Committees, with a Control and Risk Committee that has

also been assigned responsibility for matters of sustainability.

In April 2023, the Group will publish the first **Non-Financial Statement (Sustainability Report)**, with a view to total transparency towards the market and the reference stakeholders.

STRATEGIC OUTLOOK 2023 - 2024

The **2023-2024 Strategic Outlook** forecasts significant organic growth and benefits from the group's current structure and the considerable contribution due to the integration of Perini Navi and the assets deriving from it, the important partnerships signed with leading nautical brokers, luxury brands and the extensive sales structure with a global outreach.

The group's growth targets envisage Revenues between Euro 350 - 365 million with an EBITDA Margin between 16 - 16.5% in 2023 and Revenues between Euro 400 - 420 million with an EBITDA Margin between 17 - 17.5% in 2024.

With reference to the capital structure and the dividend policy, the objective for 2023 and 2024 is to maintain neutral leverage, with a maximum limit of 1.5x EBITDA, and to distribute an annual dividend with a payout of around **40-60%** of the Group's Net Profit. These policies are subject to temporary impacts linked to the CapEx and M&A strategy.

RELATED PARTY TRANSACTIONS

Revenues, expenses, receivables and payables at 31 December 2022 from related parties are described in the Notes to the financial statements.

Transactions are carried out at normal market values, based on the characteristics of the goods and services provided.

RISK MANAGEMENT

In the normal course of its business activities, The Italian Sea Group is exposed to various risk factors, financial and non-financial, which, if they occur, could have an impact on the Group's economic, financial and equity situation.

RISKS RELATED TO THE FINANCIAL SITUATION

Description of the risk

As at 31 December 2022, the Group had a Net Financial Indebtedness of **Euro 11,371 thousand**.

Part of this value derives from financial contracts characterised by financial covenants. The Group is therefore exposed to the risk of having to repay its financial debt early in the event of the above-mentioned assumptions; this circumstance could have significant negative effects on the Group's economic, financial and equity situation. In the event of non-compliance with the financial covenants, the Group undertakes to deliver a declaration, made by the legal representative, indicating the reasons and the measures adopted, where possible, to restore the original conditions. In such cases, the Bank may opt for termination of the contract pursuant to Article 1456 of the Italian Civil Code.

TOSG is exposed to the so-called **interest rate risk**, i.e., the risk that an increase in interest rates may result in higher charges than the current ones. In order to hedge this risk, The Italian Sea Group adopts hedging instruments for the most significant medium and long-term loans at variable rates.

Mitigating actions

The Group constantly monitors its equity and financial structure in order to verify compliance with any type of commitment made with the banking system.

The financial covenants, to be verified at the end of each annual or half-yearly financial period, are established within the loan agreements signed in 2022 and in particular:

- Loan agreement with Unicredit and Deutsche Bank, for a maximum amount of up to Euro 32 million, aimed at the full early repayment of the previous loan of Euro 16 million of 8 May 2020 and to support the Group's investments. The final repayment is scheduled for 31 December 2028.
- Loan agreement signed on 14 January 2022 with MPS Capital Service for Euro 40 million, aimed at the payment of the balance of the price following the

awarding of the unified business complex of the bankrupted Perini Navi S.p.A.
The final repayment is scheduled for 31 December 2028.

The parameters that demonstrate compliance with the aforementioned covenants for the year 2022, calculated according to the methods described above, are shown below:

1) Financial covenant for Unicredit and Deutsche Bank pool financing:

<i>in thousands of Euro</i>	2022	2021
Share capital	26,500	26,500
Reserves and other retained earnings	45,431	45,431
Subordinated Shareholders' Loan	0	3,161
OWN FUNDS	71,931	75,092
Short-term financial liabilities	14,163	7,575
Long-term financial liabilities	66,287	23,863
Liabilities for non-current derivative instruments	0	0
Liabilities for current derivative instruments	0	0
Other financial assets not included in the above items	12,238	9,557
Co-obligation payables	2,216	2,871
Liquidity	-81,317	-85,615
NFP	13,587	-41,749
EBIT	37,099	21,240
FROM	9,985	6,233
Contingencies	-	715
EBITDA	47,084	26,758

CONTENTS	Contractual Reference Value	Covenants	Covenants
	2022	2022	2021
NFP/EBITDA	< 2.00	0.29	-1.56
NFP/MP	< 0.50	0.19	-0.56

2) MPS Capital Service financial covenant:

<i>in thousands of Euro</i>	<i>2022</i>
Short-term financial liabilities	14,163
Long-term financial liabilities	66,287
Other financial assets not included in the above items	12,238
Liquidity	-81,317
NFP	11,371
EBIT	37,099
FROM	9,985
EBITDA	47,084

CONTENTS	Contractual Reference Value 2022	Covenants 2022
NFP/EBITDA	<2.9	0.24

With regard to the remaining positions, the Group is exposed to a moderate credit and liquidity risk depending on the credit lines obtained by the banking class.

RISKS RELATED TO OPERATIONS

Description of the risk

Due to the operational complexity deriving both from the intrinsic characteristics of the shipbuilding activity as well as from the desire to diversify the product carried forward by the Group, it is exposed to the risk deriving from incapacity to implement an adequate project management activity, i.e., to adequately manage this operational complexity or the organisational integration process.

Impact

If the Group should be unable to (i) implement adequate project management activities, with sufficient or effective procedures and actions to monitor the correct completion and efficiency of its shipbuilding processes; (ii) manage any complexity deriving from the product diversification activities brought into being by the directors; (iii) fail to efficiently distribute the workloads based on production capacity (plant and workforce), it could record a contraction in revenues and profitability with possible negative effects on the economic, equity and financial situation.

Mitigating actions

TISG has put in place procedures and activity plans in order to monitor the progress of each project over its entire duration. The Group adopts a flexible and dynamic production structure in order to respond efficiently to any fluctuations in demand, guaranteeing delivery times in line with what has been contractually established with customers.

RISKS RELATED TO MANAGEMENT OF RELATIONS WITH SUPPLIERS IN OUTSOURCED PRODUCTION

Description of the risk

The Italian Sea Group makes use of contractors, external collaborators (e.g., designers) and suppliers in order to purchase materials, components and semi-finished products and to carry out steelworks, plant engineering, painting, fitting out, art direction and design, among other things. Any non-fulfilment by contractors, collaborators or suppliers could compromise the correct and timely performance of the Group's activities, with negative effects on productivity, results and economic situation. TISG is also exposed to the risk that any defects and/or malfunctions in products or processing and/or delays could cause reductions in revenues and/or compensation obligations and/or reputational damage.

In addition, the Group is exposed to the risk that employees of external contractors or suppliers or collaborators formulate requests to the Group for recognition of the existence of employment relationships, as well as requests for payment by virtue of the constraints of passive solidarity or contest violations of the regulations in force, with possible negative effects on the economic, financial and equity situation of the Group.

Impact

A negative contribution in terms of quality, time or costs by suppliers leads to an increase in production costs, and a deterioration in the perception of product quality by the customer.

Mitigating actions

The Group's management is particularly focused in overseeing the coordination of internal and external workers through dedicated structures and procedures. In addition, TISG carefully selects its "strategic suppliers", who must maintain top-level performance standards.

RISKS RELATED TO THE STRUCTURE OF THE MARKET

Description of the risk

The Italian Sea Group is exposed to the risks associated with the global economic and financial situation and the economic trend of the specific geographic markets of its products intended for customers of individuals with considerable capital availability. Significant economic events regarding the global economy or the economy of the countries in which TISG's customers reside, such as financial and economic crises, could imply the risk that customers reduce their propensity to purchase or decide not to finalise the purchase of a yacht already ordered. In this case, the Group would be forced to look for a new purchaser, possibly withholding the amounts paid by the customer as an advance in accordance with the contracts signed.

This circumstance could have an adverse effect on the economic, financial and equity situation.

The instability of the geo-political, macroeconomic and financial framework at both European and global level could affect the production capacity and growth prospects of TISG. In particular, a prolonged recession in any of these regions or at global level, or a public perception that economic conditions are worsening, could significantly reduce the demand for products.

The growth of UHNWI (reference customers of the Group) is driven by Asia and America. Expansion in these markets, together with a low level of penetration of this customer base, presents an opportunity for the Group; however, political and/or economic crises in these regions could pose risks to the business.

If, also as a result of the change in market practices and the contingent economic situation, the Group is not able to continue with the policy of payments in advance of the delivery of the yachts, given the times and costs necessary to build yachts, this could have a negative effect on TISG's business, prospects, economic, financial and equity situation.

Mitigating actions

To mitigate the risk in question, the Group has paid particular attention to the quality of its production as well as to adhere to the yacht construction times, together with optimal joint planning of the customer's needs.

The Group's current strategy envisages product and business diversification and a global presence on all continents. This circumstance allows TISG to identify and reach the different needs of customers in every part of the world. TISG implements a commercial strategy aimed at the continuous exchange of information between

the customer and the company's managers, to deal with and resolve any difficulty that may arise as a result of events not attributable to the intrinsic performance of the business at any time.

RISKS RELATED TO ORDER MANAGEMENT

Description of the risk

TISG stipulates contracts with shipowners that envisage a specific fee (except for further requests from the customer received during construction) that must take into account all the costs related to the construction of the yacht, and of the penalties that are prescribed in the orders in case of delay in delivery and the yacht's failure to achieve certain performances (speed, noise levels, vibration levels). The occurrence of significant increases in costs could lead to a reduction in the margin.

This risk, which is considered to be highly probable in the sector, could have negative effects on TISG's economic, financial and equity situation.

The contracts for the construction of luxury yachts managed by the Group are multi-year with an established fee and a delivery deadline set at the beginning; any change in the sale price, linked to the needs and tastes of the customer, must be agreed with the shipowner and any changes in the project originate from it. At the time the contract is signed, the determination of the price must take into account the costs of raw materials, machinery, components, outsourced contracts and all costs related to construction.

Impact

Increasing cost changes not envisaged in the pre-contractual phase that do not correspond to a parallel increase in price, may result in a significant reduction in margins on the orders concerned.

With a view to reducing the likelihood of this risk, the Company uses the figure of the Project Manager. These figures, characterised by many years of experience in the nautical sector, are responsible for the preparation of order budgets, supply chain management, monitoring of delivery times and the general quality of projects.

Mitigating actions

This activity is carried out by the project managers in collaboration with the planning and control function, under the direct responsibility of the **General**

Manager of TISG . The monitoring of the final data with respect to the order budget is carried out on a monthly basis in the meetings of comparison between the planning and control department, the sales management and the Chief Executive Officer of TISG.

The valuable experience generated by the yachts delivered in recent years, the implementations deriving from investments in the management control system and the constant exchange of information between the various company departments allow project managers to predict any expected increases in the cost components of the orders and in the process of determining the offer price.

It is common that after the signing of the contracts, addendums can be stipulated, shared with the customer, to manage the extra requests and recover any percentage of margins ("**Variations to Contract** " or "**VTC**").

RISKS RELATED TO MANUFACTURING DEFECTS, NON-COMPLIANCE WITH CONTRACTUAL SPECIFICATIONS AND PRODUCT LIABILITY, AND ACTIVATION OF GUARANTEES

Description of the risk

The Group contractually guarantees its customers against defects in the workmanship of each vessel, usually for a period of 24 months after delivery, with possible negative effects on the economic, financial and equity situation with regard to the excess of the warranty costs compared to the amount allocated in the financial statements in the guarantee funds, as well as on the image of the Group towards the reference market.

Impact

During the warranty period, the Group is required to carry out repairs and/or replacements for any fault or defect that emerges after delivery (although it can then attribute responsibility for the defect to its own contractors or third-party suppliers, who additionally have warranty obligations towards the shipyard and from whose remuneration/contract or supply price is deducted - during the course of the contract - from 5% to 10% of each SAL, precisely as a retention of guarantee).

In the estimate phase, TISG calculates the cost of any repairs under warranty based on historical statistics of the interventions and considers them among the costs of the order.

Nevertheless, The Italian Sea Group could incur guarantee costs in excess of those allocated. Given the above, it cannot be excluded that any manufacturing faults and defects and non-compliance with certain technical performance specifications or works carried out could therefore cause losses in revenues and/or reputational damage as well as lead to an increase in costs for TISG, also by virtue of the guarantees on these products and technical performance specifications, with significant negative consequences on the economic, financial and equity situation with regard to the guarantee costs in excess of the amount allocated to the guarantee provisions in the financial statements, as well as on the Group's image.

Mitigating actions

The Italian Sea Group has equipped itself with a sophisticated and innovative technological control system for the entire production phase of the yachts.

The Quality Department, or **Production Quality Control**, carries out the Production control in all phases of the order, and is completely independent from the other departments.

The activities are carried out by a team that is complete in terms of skills and experience: there are 8 inspectors and 4 external collaborators on board full-time to implement experience in metal carpentry, outfitting, safety, compiling schedules and test memoranda, managing notes in red and remark reports on deliveries and approval of drawings.

When on-board inspections give a negative result, the Quality Control Department issues reports regarding defects found, ("remarks") based on:

- site standards and mock-ups;
- classification, flag and international shipping regulations;
- the technical and shipowner specifications and on the drawings of the Technical Department.

At the end of construction, the on-board equipment and systems are tested and inspected in the presence of the Quality Control department which, using dedicated test charts, reports on the commissioning and sea trials carried out before and during the delivery of the order.

These procedures, described in detail, are the result of scrupulous work and significant investments, aimed at mitigating any harmful event that may emerge after the delivery of the yacht and generate costs exceeding the normal after sale management.

RISKS RELATED TO THE REGULATORY FRAMEWORK OF REFERENCE

Description of the risk

The Group is subject to the regulations applicable in Italy and in the countries in which it operates. Any breaches of these regulations could result in civil, administrative and criminal penalties, as well as the obligation to carry out regularisation activities, the costs and responsibilities of which could have a negative impact on the Group's activities and results.

Impact

Any changes in safety or environmental protection standards, as well as the occurrence of unforeseeable or exceptional circumstances, could force the Group to incur extraordinary expenses relating to the environment or workplace safety.

Mitigating actions

The Italian Sea Group promotes compliance with all regulations to which it is subject as well as the preparation and updating of preventive control tools suitable for mitigating the risks associated with breaches of the law.

RISKS RELATED TO LITIGATION AND TAX ASSESSMENTS

Description of the risk

The Group is exposed to the risk of being involved in ordinary judicial or passive arbitration proceedings that could result in compensation and payment obligations. Furthermore, TISG is exposed to the risk that the outcome of disputes of significant value currently pending will be unfavourable. This circumstance could have an adverse effect on the Group's economic, financial and equity situation.

Impact

The Group believes it is possible that the outcome of the proceedings in progress at the closing date of the financial statements at 31 December 2022 could have an unfavourable outcome for the Group, with acceptance, in whole or in part, of the claims made by the counterparties.

Despite the above assessments, it cannot be ruled out that currently remote risks may become likely or possible and lead to adjustments to the value of the provisions for risks, or that, in the event of losing in disputes for which the provisions for risks were deemed adequate, TISG could suffer negative effects on the economic, equity and/or financial situation.

It should be noted that the majority of the contracts in force to which the Group is a party provide for compromise clauses with arbitration in London, with consequent possible increases in costs in the event of litigation.

Among the most significant pending disputes, the following are worth mentioning:

ARBITRATION PROCEEDINGS IN THE UK AGAINST GFM SA - FRANCK MULLER GROUP AND FMTM LIMITED FOR A PARTNERSHIP AGREEMENT THAT TISG BELIEVES HAS NOT BEEN RESPECTED

The arbitration proceedings in England, initiated by Tisg a few years ago for significant damages, were successful with an award that has now become final (for a total of approximately Euro 1.6 million).

In the meantime, TISG obtained an order for seizure of Euro 660 thousand in Italy, at the Court of Massa, and had it recognised (exequatur) and then successfully and extensively executed in Switzerland against GFM.

GFM opposed it but was unsuccessful in Switzerland in all levels of proceedings (with payment of legal costs, partially collected).

In the face of the awards won in England, TISG filed for the declaration of GFM's bankruptcy, which was indeed declared; GFM, however, paid the due amount to the Chancellery to have the declaration of bankruptcy revoked (which is the case in Switzerland), and now the procedure is being decided, with the well-founded possibility for TISG to collect in the meantime about Euro 230,000 of the partial award.

In addition, TISG acted and obtained a further seizure against GFM for approximately Euro 1.3 million within capacity. The procedure for the recognition and enforceability of the main English award in Switzerland has also already been initiated. GFM objected, and therefore it will be necessary to wait for the three levels of judgement, which will be faster, however, considering the definitive nature of the award in the UK.

TISG/CARBONOVUS

The former contractor, having terminated the contractual relationship, claims non-payment of SAL amounts and damages for Euro 633,180.

For its part, TISG complains of considerable damages and penalties due to delay of Euro 19,678,514, deeming that no amount is to be paid to the former contractor.

TISG filed a bankruptcy petition against Carbonovus, with a hearing held on 6 March 2023, postponed to 15 June 2023.

Carbonovus introduced contractual arbitration against TISG, which appointed its own arbitrator; the Arbitration Board is still to be established.

OTHER DISPUTES

At the closing date of the financial year, there were 2 labour disputes.

Please note the tax dispute concerning assessment notices no. T9B03BR00854 and no. T9B03BR00875, relating to the years 2010 and 2011, notified to the Group (formerly Nuovi Cantieri Apuania S.p.A.) as the incorporating company of TYG S.p.A., by the Revenue Agency - Provincial Directorate I of Milan, which challenged the use of non-existent invoices by the Tecnomar S.p.A. Group (subsequently called TYG S.p.A.). The tax and sanction claims in question amount to a total of Euro 1,714 thousand, plus interest.

TISG challenged the aforementioned notices before the Provincial Tax Commission of Milan, which cancelled them with ruling no. 3944/2018. The Revenue Agency appealed this ruling before the Lombardy Regional Tax Commission, which confirmed the ruling of the first instance with ruling no. 652/2020 filed on 27 February 2020. The unsuccessful Revenue Agency filed an appeal before the Court of Cassation against judgment no. 652/2020; TISG appeared before the court to resist the appeal.

Given the entirely positive outcome of the first two stages of proceedings, the Group may settle the pending tax according to facilitated terms, based on the provisions of art. 1, paragraphs 186 et seq., of the aforementioned Italian Law no. 197/2022, resulting in tax charges estimated at approximately Euro 140,000.

Mitigating actions

All pending disputes are constantly monitored by the Group's lawyers and assessments of any economic and financial impacts on the financial statements are made with accuracy in order to provide a true and fair view of the accurate estimate of the potential loss.

RISKS RELATED TO COMMERCIAL RELATIONS WITH THE INTERMEDIARY TISG Asia

Description of the risk

The Group has signed with TISG Asia, in the course of 2021, 2 settlement agreements to remedy the customer's previous contractual breaches.

Impact

On 2 February 2021, as part of a settlement agreement signed between TISG and the customer TISG Asia, the parties agreed to: (i) terminate no. 1 contract for the construction of a TECNOMAR-branded yacht for which TISG has withheld the amount already paid by the shipowner and has proceeded to sell the same yacht to another customer under substantially similar contractual conditions; (ii) terminate n. 3 contracts for the construction of TECNOMAR for LAMBORGHINI 63 model yachts, in relation to which the Group has withheld, as contractually provided for, the advances that have already been paid by TISG Asia itself, advances that were therefore charged for the construction of the yacht referred to in point (iii) below; (iii) terminate no. 1 contract for the construction of an ADMIRAL brand yacht and sign, under different conditions with a discount of 10% from the list price, at the same time a new contract for the construction of a new ADMIRAL brand yacht, charging as advance payment the same the advance payments for the yachts model TECNOMAR for LAMBORGHINI 63 referred to in point (ii) above.

In this regard, it should be noted that the TECNOMAR branded yacht and the ADMIRAL branded yacht (referred to in points (i) and (iii) above) were, prior to the announced default, ordered from TISG Asia from a single final customer while the n. 3 contracts for the construction of TECNOMAR for LAMBORGHINI 63 model yachts (referred to in the previous point (ii)) were entered into by TISG Asia as its own investment.

The profitability of TISG was not affected, as it did not start production at the time of the termination of the contract. The 5 terminations by TISG Asia, referred to above, related to contracts for a total value of approximately Euro 40 million for which TISG, as part of the settlement agreement, withheld advances for approximately Euro 9 million.

In June 2021, contacts with the administrator of TISG ASIA intensified in order to obtain feedback on the payment of the second contractual SAL of an Admiral brand yacht, in the amount of Euro 2,800 thousand, for which the Group was contractually scheduled to collect in June. As a result of the non-payment, TISG ASIA defaulted on this contract, which TISG promptly sold to another third party customer (realising, inter alia, a capital gain).

On 19 November 2021, TISG and TISG ASIA signed a document through which all contractual issues were clarified, in part already defined with the settlement agreement of 2 February 2021, and in particular it was set forth that TISG ASIA

can act as a non-exclusive broker for 12 months from the signing of this agreement (with the possibility of automatic renewal for a further 12 months if TISG ASIA reaches the targets set by the agreement) in compliance, in any case, with the exclusive brokerage agreements stipulated by TISG with third parties .

During 2022, TISG delivered a TECNOMAR model yacht to the customer in May (already fully paid for by TISG ASIA), while the other order in progress, also relating to a TECNOMAR model yacht, was resold to another customer as TISG ASIA had revealed delays in the payment of the last contractual work progress report.

Mitigating actions

Through its top management, the Group is in constant contact with the management of TISG ASIA to evaluate any further commercial developments related to the brokerage activity carried out by TISG ASIA. To date, there are no critical issues regarding any further disputes that may arise between the parties.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Group is organised according to the traditional administration and control model referred to in Articles 2380-bis et seq. of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Chair of the Group is Filippo Menchelli, the Chief Executive Officer is Giovanni Costantino and the Deputy Chair is Marco Carniani.

The Group has adopted, in compliance with the Corporate Governance Code most recently updated on 31 January 2020, through its Board of Directors, a regulation on the Board of Directors and on compliance with procedures relating to the timeliness and adequacy of information provided to directors, in accordance with the corporate governance principles contained in the Corporate Governance Code.

The Board of Directors is made up of three executive directors, a non-executive director and three independent directors.

The Appointment and Remuneration Committee, the Control, Risk and Sustainability Committee, which also performs the role of Committee for Transactions with Related Parties, have been set up within the Board.

The internal control and risk management system requires the Board, after obtaining the opinion of the Control, Risks and Sustainability Committee, to define the guidelines for the internal control and risk

management system, understood as a set of processes aimed at enabling the identification, measurement, management and monitoring of the main risks. This system helps to ensure the efficiency and effectiveness of company operations, the reliability of financial information, compliance with laws and regulations, the bylaws and internal procedures, as well as the safeguarding of company assets.

The Board of Directors, having heard the opinion of the Control, Risk and Sustainability Committee, has appointed the head of the internal audit function, responsible for verifying that the internal control and risk management system is functional and adequate, ensuring that they are provided with adequate means to perform their functions, including in terms of the operational structure and internal organisational procedures for access to the information necessary for their task.

The Group annually draws up the Report on corporate governance and ownership structure which describes the corporate governance system adopted by the Issuer, as well as information on the ownership structure and the internal control and risk management system. The Report is available in full on the Issuer's website in the Governance section.

PROCESSING OF PERSONAL DATA - LEGISLATIVE DECREE No. 196 OF 30 JUNE 2003 - REG. EU 679 OF 27 APRIL 2016 (GDPR - GENERAL DATA PROTECTION REGULATION)

With reference to the obligations established by the privacy legislation in force, The Italian Sea Group S.p.A., as Data Controller, has adopted all security measures listed therein.

Following the definitive entry into force of EU Regulation 679/2016 concerning the protection of individuals with regard to the processing of personal data (GDPR), the Parent Company has completed the necessary adjustment process in order to align itself with the regulatory requirements.

The Parent Company is responsible by law, in its capacity as "Data Controller", for all the personal data processing activities carried out by the same and, in consideration of this, adopts adequate security measures in relation to the risks for rights and freedoms of individuals. In order to ensure efficient operations in relation to the performance of processing activities, it has identified within the Board of Directors a person who, in the name and on behalf of the Parent Company, independently makes decisions on the purposes and methods of processing personal data and on the tools used, including the adoption and monitoring of security measures and their adequacy, and who supervises all personal data processing activities carried out by the Parent Company.

The Parent Company did not appoint a DPO (Data Protection Officer) since it does not carry out the processing of data as defined by art. 37 of the GDPR.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

In compliance with Article 2497-bis, paragraph 5, it should be noted that the Parent Company's activities are not subject to the management and coordination of companies or entities.

ARTICLE 2428 ITALIAN CIVIL CODE

The information required by Article 2428, paragraphs 1, 2, 3 and 6 are included in the Report on Operations. Information relating to the financial instruments, objectives and policies of the Group on the subject of financial risk management can be found in section F of the Explanatory Notes to the consolidated financial statements and in section E of the financial statements of the Parent Company.

Information on the Parent Company's secondary offices is reported in section A of the Parent Company's financial statements.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Euro</i>	notes	31/12/2022	31/12/2021
ASSETS			
NON-CURRENT ASSETS			
Brands	1	34,685	3,554
Other intangible assets	2	1,030	863
Land and buildings	3	38,354	35,994
Plant, machinery, equipment and investments in progress	4	49,182	28,708
Other tangible assets	5	1,603	1,642
Right Of Use	6	46,077	8,889
Equity investments	7	195	43
Other non-current assets	8	6,576	4,222
Total non-current assets		177,702	83,915
CURRENT ASSETS			
Cash and cash equivalents	9	81,317	85,615
Trade receivables	10	21,469	10,236
Other receivables	11	5,956	10,339
Assets from contract work in progress	12	49,468	41,336
Inventories	13	3,573	1,250
Other current assets	14	2,778	2,384
Total current assets		164,560	151,159
TOTAL ASSETS		342,262	235,075
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		26,500	26,500
Share premium reserve		45,431	45,431
Reserves and other retained earnings		13,023	4,635
Profit (loss) for the year		24,046	16,322
Total Shareholders' Equity	15	109,001	92,888
NON-CURRENT LIABILITIES			
Provisions for risks and charges	16	3,431	3,066
Deferred tax liabilities	17	894	1,178
Provision for employee benefits	18	1,251	760
Long-term financial liabilities	19	76,198	31,378
Other non-current liabilities	20	50	486
Total non-current liabilities		81,824	36,868
CURRENT LIABILITIES			
Trade payables	21	78,770	57,146
Other payables	22	13,788	5,623
Short-term financial liabilities	23	15,193	11,479
Liabilities from contract work in progress	12	16,800	16,345
Other current liabilities	24	26,886	14,725
Total current liabilities		151,438	105,318
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		342,262	235,075

CONSOLIDATED INCOME STATEMENT - BY NATURE

<i>In thousands of Euro</i>	notes	31/12/2022	31/12/2021
Operating revenues		291,510	186,054
Other revenues and income		7,710	5,448
Commissions		(4,093)	(4,825)
Total Revenues	25	295,128	186,677
Raw materials, components and consumables	26	(68,133)	(46,684)
Cost for outsourced work	27	(117,942)	(71,278)
Technical services and consultancy	28	(16,807)	(5,234)
Other costs for services	29	(12,738)	(10,695)
Personnel costs	30	(29,562)	(22,117)
Other operating costs	31	(6,375)	(3,682)
Total operating costs		(251,557)	(159,690)
Operating result before amortisation, depreciation and write-downs		43,571	26,987
Amortisation, depreciation and write-downs	32	(10,339)	(5,747)
Operating result		33,232	21,240
Financial income	33	447	187
Financial charges	33	(4,264)	(3,275)
Profit (loss) for the year before income taxes		29,415	18,153
Income taxes	34	(5,368)	(1,831)
Profit (loss) for the year		24,046	16,322
Earnings per ordinary share		0.45	0.31
Diluted earnings per ordinary share		0.45	0.31

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT - BY NATURE

Profit/(loss) for the year		24,046	16,322
Gains/(losses) on remeasurement of defined benefit employee plan liabilities	35	(48)	(31)
Change in fair value of hedging derivatives	35	1,825	81
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR (A) + (B)		25,823	16,372

CONSOLIDATED CASH FLOW STATEMENT

<i>In thousands of Euro</i>	31/12/2022	31/12/2021
INCOME MANAGEMENT ACTIVITIES		
Profit for the period before taxes	29,415	18,153
Net interest	3,781	3,154
Provision for charges and risks	1,053	1,773
Provision for severance indemnity	1,377	957
Adjustments for:		
Amortisation, depreciation and write-downs of fixed assets	9,889	4,199
Capital gains/(losses)		(36)
Other provisions and write-downs (revaluations)	300	296
Changes in assets and liabilities:		
Receivables from customers	(11,533)	4,084
Inventories and contract works in progress	(7,731)	(9,778)
Other management activities	7,221	(8,023)
Payables to suppliers	21,897	21,649
Other operating payables	19,706	8,268
Severance indemnity	(886)	(1,014)
Provisions for risks and charges	(972)	(2,008)
Taxes paid	(5,368)	(1,831)
Interest paid	(3,781)	(3,088)
Cash flow from income management activities	64,368	36,754
INVESTMENT ACTIVITIES		
Purchase of tangible assets	(19,353)	(23,424)
Disposal of tangible assets	0	36
Purchase of intangible assets	(483)	(346)
Purchase of equity investments	(152)	0
Receivable from CELI		(3,411)
Disbursement for the purchase of the Perini business complex	(80,000)	0
Others	(3,804)	880
Cash flow from investment activities	(103,792)	(26,265)
FINANCING ACTIVITIES		
Capital contributions		4,750
Payment of Share Premium Reserve		41,851
Change in reserves	200	0
Payment of IPO Charges		(2,027)
Payment of dividends	(9,716)	(6,235)
Raising M/L term loans	72,500	27,000
Raising shareholders' loans	(23,484)	(5,391)
Repayment of M/L term loans	(3,161)	
Repayment of loans to others	(1,212)	(2,339)
Net change in other sources of short-term financing		(427)
Cash flow from financing activities	35,127	57,182
TOTAL CASH FLOWS FOR THE PERIOD	(4,297)	67,672
OPENING CASH AND CASH EQUIVALENTS	85,615	17,943
CLOSING CASH AND CASH EQUIVALENTS	81,317	85,615

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>In thousands of Euro</i>	Values at	Allocation of income	Result for the year	Other changes	Total profit/(loss)	Values at
	31/12/20	31/12/20	31/12/21	31/12/21	31/12/21	31/12/21
SHARE CAPITAL	21,750			4,750		26,500
SHARE PREMIUM RESERVE	12,000			33,431		45,431
RESERVES AND OTHER RETAINED EARNINGS	235			4,350	50	4,635
PROFIT (LOSS) FOR THE PERIOD	6,235	(6,235)	16,322			16,322
TOTAL NA	40,220	(6,235)	16,322	42,531	50	92,888

<i>In thousands of Euro</i>	Values at	Allocation of income	Result for the year	Other changes	Total profit/(loss)	Values at
	31/12/21	31/12/21	31/12/22	31/12/22	31/12/22	31/12/22
SHARE CAPITAL	26,500					26,500
SHARE PREMIUM RESERVE	45,431					45,431
RESERVES AND OTHER RETAINED EARNINGS	4,635			8,388		13,023
PROFIT (LOSS) FOR THE PERIOD	16,322	(16,322)	24,046			24,046
TOTAL NA	92,888	(16,322)	24,046	8,388	0	109,001

EXPLANATORY NOTES

CONTENT AND FORM OF THE CONSOLIDATED FINANCIAL STATEMENTS

These explanatory notes were prepared on the basis of the accounting records updated at 31 December 2022. The purpose of this document is to illustrate, analyse and, in some cases, supplement the data indicated in the financial statements.

The financial statements at 31 December 2014 were the first financial statements of the Group prepared in compliance with the International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The financial statements formats adopted are consistent with those envisaged by IAS 1; in particular:

- the statement of financial position was prepared by classifying assets and liabilities according to the "current/non-current" distinction;
- the separate income statement was prepared by classifying operating costs by nature, as this form of presentation is considered more suitable to represent the specific business of the Group, is compliant with internal reporting methods and is in line with the relevant industrial sector practice;
- the statement of comprehensive income includes, in addition to the profit (loss) for the year, as per the separate income statement, other changes in equity movements other than those with shareholders;
- the cash flow statement was prepared by showing the cash flows deriving from operating activities according to the "indirect method".

The values shown in these notes, unless otherwise indicated, are expressed in thousands of Euro.

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 have introduced the obligation for issuers of securities listed on regulated markets of the European Union to draw up the annual financial report in XHTML, based on the European Single Electronic Format (ESEF) approved by ESMA.

REPORTING BY OPERATING SECTOR

The Group's organisational structure is based on two divisions: Shipbuilding and Refit. The Shipbuilding Division is active in the design, production and sale of custom-built luxury superyachts ranging currently in length from 20 to a maximum of approximately 100 metres, with a focus on yachts between 60 and 100 metres. The NCA Refit Division offers refit services both on yachts produced by the Shipbuilding Division and on motor and sailing yachts made by third party manufacturers.

The operating segments have been identified by management, consistent with the applicable accounting standards and best practices.

In particular, the structure of the information corresponds to the structure of the reports periodically reviewed by the CEO for business management purposes.

Both Divisions operate mainly within the headquarter located in the Port of Marina di Carrara, where the Group has about 100,000 square metres of operational space, in addition to the main corporate functions.

BUSINESS CONTINUITY

The financial statements for the year ended 31 December 2022 were prepared with a view to the continuation of the company's business as there is a reasonable expectation that TISG S.p.A. will continue its operating activities in the foreseeable future (and in any case with a time horizon of more than twelve months). In particular, the following factors were taken into consideration:

1. the main risks and uncertainties (for the most part of external origin) to which TISG is exposed:
 - the changes in the general macroeconomic situation in the Italian, European and non-EU markets as well as the volatility of the financial markets of the "Eurozone" also as a result of: (i) the definitive exit of the United Kingdom from the EU; (ii) the evolution of the pandemic caused by the SARS-CoV-2 virus; (iii) the evolution of the conflict between Russia and Ukraine and the evolution of sanctions for the Russian Federation;
 - changes in business conditions, also in relation to competitive dynamics;
 - the outcomes of disputes and claims with regulatory authorities, competitors and other parties;
 - financial risks (trend in interest rates and/or exchange rates, inflation, changes in creditworthiness by rating agencies);

2. the mix considered to be optimal between risk capital and debt capital as well as the policy for the remuneration of the risk capital, as described in the Note "Shareholders' Equity";
3. the financial risk management policy (market risk, credit risk and liquidity risk), as described in the Note "Financial Risk Management".

On the basis of these factors, the company management believes that, at present, there are no elements of uncertainty on the outlook for business continuity for TISG S.p.A..

INTRODUCTION

The Italian Sea Group S.p.A. has adopted the International Financial Reporting Standards adopted by the European Union (IFRS), from 2014 onwards, with a date of transition to the IFRS (FTA) at 1 January 2013.

It should be noted that the IFRS are the accounting standards approved by the International Accounting Standards Board (IASB), adopted pursuant to Regulation (EC) no. 1606/2002.

At national level, the international accounting standards were implemented in our system with Legislative Decree no. 38/2005, containing a series of provisions aimed at harmonising the application of the standards in question with the domestic regulations on business income.

The choice by the Group to adopt the IFRS international accounting standards as reference standards for the preparation of its consolidated and separated financial statements offers the opportunity to compare the financial statement figures with those of its main competitors and to carry forward the process of internationalisation.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements at 31 December 2022 were prepared in compliance with the International Accounting Standards (IFRS), in force at the reporting date, issued by the International Accounting Standards Board and adopted by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The comparison between the figures of the statement of comprehensive income, the statement of financial position, the cash flow statement and the changes in shareholders' equity is always expressed in thousands of Euro, except in the cases indicated individually and otherwise, and is carried out with the corresponding values at 31 December 2021.

The accounting standards adopted in the preparation of these financial statements are consistent with those adopted in the preparation of the financial statements as at 31 December 2021.

IFRS means the revised international accounting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC), adopted by the European Union.

New accounting standards, amendments and interpretations applied from 1 January 2022

Pursuant to IAS 8 (Accounting Standards, changes in accounting estimates and errors), the IFRS in force as from 1 January 2022 are indicated and briefly described below:

The amendments are applicable from 1 January 2022 and had no impact on the financial statements or on the disclosure.

Early Adoption of the Principles and Amendments

The table below lists all the decisions with a mandatory effective date in future accounting years

Furthermore, at the date of these Financial Statements, the competent bodies of the European Union have concluded the endorsement process necessary for the adoption of the following accounting standards and amendments:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
IFRS 17 - Insurance Contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19 November 2021	(EU) 2021/2036 23 November 2021
Definition of accounting estimates (Amendments to IAS 8)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Disclosure on accounting standards (Amendments to IAS 1)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	11 August 2022	(UE) 2022/1392 12 August 2022
First-time adoption of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	December 2021	1 January 2023	8 September 2022	(UE) 2022/1491 9 September 2022

The document published by the IASB includes amendments to the document "IFRS Practice Statements 2 - Making Materiality Judgements" that have not been endorsed by the European Union as they do not relate to an accounting standard or an interpretation.

Furthermore, at the date of these Financial Statements, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments:

Document title	Issue date by the IASB	Date of entry into force of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory deferral accounts	January 2014	1 January 2016	Approval process suspended pending the new accounting standard on "rate-regulated activities".
Amendments			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Approval process suspended pending the conclusion of the IASB project on the equity method
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1 January 2024	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2024	TBD

The Group will adopt these new standards, amendments and interpretations on the basis of the expected date of application and will assess their potential impacts when they are approved by the European Union.

In addition to the above rulings, in 2022 the IFRS Interpretations Committee issued several “agenda decisions”, which do not constitute a mandatory guideline. However, they report the reasons why the IFRIC did not include an item on its agenda (or did not report it to the IASB) and the way in which the IFRS obligations must be applied. The IFRS Foundation website states that the “agenda decisions” must be “useful, informative and persuasive”

In addition to the above, IFRIC has issued several decisions in the last 12 months. These policy decisions do not constitute official guidelines. The IFRS Foundation points out that such decisions “should be regarded as useful, informative and persuasive”. Entities preparing financial statements in accordance with IFRS are ultimately expected to take into account and adhere to policy decisions and this is the approach followed by securities market regulators around the world.

Accounting standards, amendments and interpretations not yet applied or applicable

There are numerous principles, amendments to the principles and interpretations that have been issued by the IASB which will be effective in future accounting years and that the Group has decided not to apply early.

The following amendments are effective from 2022:

- Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37);
- Property, plant and equipment: Revenues earned before an asset is ready for its intended use (Amendments to IAS 16);
- Annual improvements to the 2018-2020 IFRS Standards (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to the conceptual framework (Amendments to IFRS 3).

The following amendments are effective from the financial year starting 1 January 2023:

- Communication of accounting standards (Amendments to IAS 1 and to IFRS Practice Statement 2 of IFRS);
- Definition of accounting estimates (Amendments to IAS 8); and

- Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that the classification as current or non-current is based on the consideration whether at the end of the year an entity has the right to defer payment of the liability for at least twelve months after the end of the year. The amendments also clarify that the word “payment” includes the transfer of cash, goods, services or equity instruments, unless the obligation to transfer equity instruments arises from a conversion item that is classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual periods beginning on or after 1 January 2023.

In response to feedback and questions from stakeholders, in December 2020, the IFRIC (the Committee) issued a provisional agenda decision, which analysed the applicability of the amendments to three scenarios. However, in the light of the feedback received and the various concerns raised about the outcome of the application of some aspects of the amendments, the Committee did not finalise the provisional decision agenda and referred the matter to the IASB. At its meeting in June 2021, the IASB provisionally decided to amend the obligations under IAS 1 regarding the classification of liabilities by subjecting it to conditions and the disclosure of information regarding these conditions and to postpone the effective date of the 2020 amendment by at least one year.

The Group is currently evaluating the impact of these new accounting standards and amendments. The Group will assess the impact of the final amendments to IAS 1 on the classification of its liabilities once the latter are issued by the IASB. The Group does not believe that the amendments to IAS 1, in their current form, have a significant impact on the classification of its liabilities, since the conversion element of its convertible debt instruments is classified as an equity instrument and, therefore, it does not affect the classification of its convertible debt instruments as non-current liabilities.

The Group has not adopted in advance any standard, interpretation or improvement issued but not yet in force.

NON-CURRENT ASSETS

Intangible assets

Owned intangible assets acquired or produced internally are assets without physical substance recognised under assets, in accordance with IAS 38, only if identifiable, controllable, the cost of which can be determined reliably and to the extent that they are capable of producing future economic benefits.

Brands are considered assets with an indefinite useful life and, therefore, are not amortised, but are subject to impairment testing at least once a year, in accordance with IAS 36 - Impairment of Assets - ("impairment test") carried out at the level of the cash generating unit ("CGU") to which the company management attributes the brand. Any write-downs are not subject to subsequent write-backs.

The recoverability of these assets is verified when events or changes in circumstances suggest that the book value is not recoverable. The recoverability measurement is carried out for each cash generating unit, represented by the smallest identifiable set of assets that generates cash inflows largely independent from those generated by other assets. The definition of the CGUs is made by considering, among other things, the methods with which the management controls the operating activities (e.g., by business lines) or makes decisions about maintaining or disposing of the assets and activities of the Group.

Cash generating units may include corporate assets, i.e., assets that do not generate autonomous cash flows, attributable on a reasonable and consistent basis. Corporate assets not attributable to a specific cash generating unit are allocated to a larger aggregate consisting of several cash generating units.

With reference to brands, the verification is carried out, at least annually or in any case when events occur that suggest a reduction in value, at the level of the smallest aggregate on the basis of which the Company Management assesses, directly or indirectly, the return on the investment that includes the brand itself.

The recoverability is verified by comparing the book value with the relative recoverable value represented by the higher of the fair value, net of disposal costs, and the value in use. The latter is determined by discounting the expected cash flows deriving from the use of the cash generating unit and, if significant and reasonably determinable, from its sale at the end of its useful life, net of disposal costs. The expected cash flows are determined on the basis of reasonable and supportable assumptions representative of the best estimate of the future economic conditions that will occur in the residual useful life of the cash generating unit, giving greater importance to the indications coming from the outside.

In order to determine the value in use, the expected cash flows are discounted at a rate that reflects the current market valuations of the time value of money and the

specific risks of the asset not reflected in the estimates of cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital ("WACC").

When the value of the cash generating unit, including brands, is higher than the recoverable value, the difference is written down. When the reasons for the write-down no longer apply, the assets are revalued and the adjustment is charged to the income statement; the write-back is carried out for an amount equal to the lower of the recoverable value and the carrying amount gross of the write-downs previously carried out.

Research costs are charged to the income statement in the period in which they are incurred.

Costs for the development of new products and manufacturing processes are capitalised and recognised under intangible assets only if all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project is demonstrated;
- the intention to complete the project and to sell the intangible assets generated by the project has been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset has been demonstrated;
- the technical and financial resources necessary for the completion of the project are available.

They are amortised over the period in which the expected future revenues will arise from the same project.

Tangible assets

Tangible assets are recognised in the financial statements at purchase cost, including any accessory charges, and are systematically depreciated each year on a straight-line basis over their estimated useful life.

Ordinary maintenance expenses are charged in full to the income statement, those of an incremental nature are charged to the asset to which they refer and are amortised in relation to the residual possibility of use of the same.

If the individual components of a complex tangible asset have a different useful life, they are recognised separately to be amortised in line with their useful life ("component approach").

Fixed assets under construction are valued at cost, including directly and indirectly attributable ancillary costs, only for the portion that can reasonably be attributed to them.

Tangible assets are depreciated on the basis of the economic-technical rates shown below, representative of the useful life:

DESCRIPTION	%
Buildings on land under concession Marina di Carrara	Expiry of the concession December 2043
Buildings on land under concession La Spezia	Expiry of the concession February 2035
Buildings on land under concession Viareggio	Expiry of the concession December 2037
Plant and machinery	6.67%-10%
Equipment	10%-25%
Office furniture and machines	12%
Electronic machines	20%
Motor vehicles	20%

Impairment losses on non-financial assets

At each balance sheet date, tangible and intangible assets with finite useful lives are analysed for impairment indicators. If the presence of these indicators is identified, the recoverable value of the aforementioned assets is estimated, attributing any write-down of the book value to the income statement.

The recoverable value of an asset is the higher of its fair value, less costs to sell, and its value in use, meaning the present value of the estimated future cash flows for that asset. For an asset that does not generate largely independent cash flows, the realisable value is determined in relation to the cash generating unit to which the asset belongs.

In determining the value in use, the expected future cash flows are discounted with a discount rate that reflects the current market valuation of the cost of money, in relation to the period of the investment and the specific risks of the asset. An impairment loss is recognised in the income statement when the carrying amount of the asset is higher than the recoverable amount. If the conditions for a previous write-down no longer apply, the book value of the asset, with the exception of goodwill, is reinstated with recognition in the income statement, within the limits of the net book value that the asset in question would have had if it had not been for the write-down and depreciation carried out.

Equity investments

Non-current financial assets include equity investments, valued at cost, which is reduced for impairment. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Right Of Use - Lease liabilities

The Group holds tangible assets used in carrying out its business activities, through lease agreements. At the start date of the lease, the Group determines whether the contract is, or contains, a lease. The Group identifies a lease agreement according to the definition provided for by IFRS 16, when the agreement transfers the right to control the use of an underlying asset for a period of time in exchange for a consideration. For lease agreements, the Group recognises an asset consisting of the right-of-use asset and a lease liability at the start date of the agreement (i.e., the date on which the underlying asset is available for use).

The Right-Of-Use consists in the lessee's right to use the underlying asset for the duration of the lease; its initial measurement is at cost, which includes the initial amount of the lease liability adjusted for all payments due for the lease made on the effective date or previously net of the lease incentives received, plus any initial direct costs incurred and an estimate of the costs for the dismantling and removal of the underlying asset and for the restoration of the underlying asset or site where it is located. After initial recognition, the right-of-use is amortised on a straight-line basis over the duration of the lease agreement.

The lease liability is initially measured at the present value of the lease payments due over the term of the lease. In calculating the present value of the lease payments, the Group uses the lessee's marginal borrowing rate at the start date of the lease when the implicit interest rate of the lease cannot be easily determined.

The variable payments due for the lease that do not depend on an index or a rate are recognised as costs in the period in which the event or circumstance that triggers the payments occurs. After the commencement date, the lease liability is

measured at amortised cost using the effective interest rate method and restated when certain events occur.

The Group applies the exception to the recognition envisaged for short-term leases to its agreements with a duration equal to or less than 12 months from the effective date. It also applies the exception to the recognition envisaged for leases in which the underlying asset is of "modest value" and whose amount is estimated as not significant.

CURRENT ASSETS

Inventories

Inventories are recorded at the lower of purchase or production cost and the net realisable value represented by the amount that the company expects to obtain from their sale in the ordinary course of business, net of selling costs. The cost of inventories of raw materials and consumables as well as finished products and goods is determined by applying the weighted average cost method. The cost of production includes raw materials, the cost of direct labour and other production costs (based on normal operating capacity). Financial charges are not included in the valuation of inventories.

Materials with slow turnover or otherwise no longer reusable in the normal production cycle are adequately written down to align the value with the net realisable value.

Assets and liabilities from contract work in progress

Assets and liabilities from contract work in progress (hereinafter also "contracts") are recognised at the value of the agreed contractual considerations, according to the percentage of completion method, taking into account the percentage of completion method, the progress achieved and the expected contractual risks. The work progress is measured with the so-called input method with reference to the contract costs incurred at the reporting date in relation to the total estimated costs for the contract (so-called "cost-to-cost").

If it is expected that the completion of a contract may result in a loss, this is recognised in its entirety in the year in which the same becomes reasonably foreseeable.

Contract orders are stated considering the costs incurred plus the margins recognised, less any expected losses, net of invoicing for work in progress.

This analysis is carried out on a contract-by-contract basis. If the differential is positive, the imbalance is classified as an asset under the item "assets from contract work in progress"; if, on the other hand, this differential is negative, the difference is classified as a liability under the item "Liabilities from contract work in progress".

For the purpose of a better presentation of the financial statements, the Directors decided to reclassify also the comparative data at 31 December 2021 so as to make the data comparable and to facilitate the reading of the financial statements for the users.

Trade receivables and other assets

Trade receivables and other current and non-current receivables are financial instruments, mainly relating to receivables from customers, not derivatives and not listed in an active market, from which fixed or determinable payments are expected.

Trade receivables and other receivables are classified in the balance sheet under current assets, with the exception of those with a contractual maturity of more than twelve months from the reporting date, which are classified under non-current assets. These financial assets are recorded in the balance sheet assets when the Group becomes a party to the contracts connected to them and are eliminated from the balance sheet assets, when the right to receive the cash flows is transferred together with all the risks and benefits associated with the business sold. Trade receivables and other current and non-current receivables are originally recognised at their fair value and, subsequently, at amortised cost, using the effective interest rate, reduced for impairment. The amount of the write-down is measured as the difference between the book value of the asset and the present value of expected future cash flows. The value of the receivables is shown in the financial statements net of the related bad debt provision.

Trade receivables and other current and non-current receivables are eliminated from the statement of financial position when the right to receive the cash flows is extinguished and all the risks and benefits associated with the holding of the asset are substantially transferred (referred to as "derecognition") or if the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed.

The approach adopted for the recognition of loan losses is prospective, focused on estimating the probability of future losses on loans, even in the absence of events that suggest the need to write down a credit position ("expected losses"). Although the provision allocated is deemed adequate, the use of different assumptions or the change in economic conditions, even more so in this period characterised by a negative economic situation, could be reflected in changes in the provision for credit risks.

Cash and cash equivalents

The item related to Cash and cash equivalents includes cash and bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity, which are readily convertible into cash and are subject to an insignificant risk of change in value.

NON-CURRENT LIABILITIES

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a determined nature and of certain or probable existence, whose amount or date of occurrence is undetermined at the end of the year. Provisions are recognised when: i) the existence of a current legal or implicit obligation deriving from a past event is likely; ii) it is probable that the fulfilment of the obligation will be onerous; iii) the amount of the obligation can be reliably estimated.

Provisions are recognised at the value representing the best estimate of the amount that the company would rationally pay to extinguish the obligation or to transfer it to third parties at the end of the year; provisions relating to onerous contracts are recognised at the lower of the cost necessary to fulfil the obligation, net of the expected economic benefits deriving from the contract, and the cost of terminating the contract.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows determined taking into account the risks associated with the obligation at the average rate of the company's debt; the increase in the provision related to the passing of time is recognised in the income statement under "Financial charges".

Risks for which the occurrence of a liability is only "possible" are indicated in the appropriate disclosure section on commitments and risks and no provision is made for the same.

Contingent assets and liabilities

Contingent liabilities consist of:

- a) "possible" obligations that arise from events that occurred before the financial statements date and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the Group's control; or
- b) from current obligations that arise from events before the financial statements date but are not recognised because:
 - i. it is not probable that the liability will require an outflow of resources from the action of settling the obligation; or
 - ii. the amount of the obligation may not be estimated with sufficient accuracy.

Contingent assets are represented by assets that derived from events that occurred before the financial statements date and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the Group 's control.

Contingent assets and liabilities are not recognised in the financial statements but are described in the explanatory notes.

Employee benefits (Post-employment plans)

The Group's employees benefit from pension and other post-employment plans. The pension plans in which the Group is required to participate by Italian law are defined contribution plans, while other post-employment benefit plans, in which the Group generally participates by virtue of collective employment agreements, are defined benefit plans. Payments relating to defined contribution plans made by the Group are recognised in the income statement as a cost when incurred. Defined benefit plans are based on the working life of employees and on the remuneration received by employees during a predetermined period of service.

With the adoption of IFRS, the severance pay accrued up to 31 December 2006 is therefore considered as a defined benefit obligation.

On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee Benefits, which eliminates the option of deferring the recognition of actuarial gains and losses with the corridor method, requiring the presentation in the statement of financial position of the deficit or surplus of the provision, and the recognition of the cost components linked to the work performance and the net financial charges in the income statement, and the recognition of the actuarial gains and losses deriving from the remeasurement of liabilities and assets under "Other comprehensive income/(losses)". In addition, the return on assets included under net financial charges must be calculated based on the discount rate of the liability and no longer on the expected return on the assets.

Financial liabilities

Financial liabilities relating to loans and other obligations to pay other than derivatives, after initial recognition at fair value, are measured using the amortised cost method, net of principal repayments already made.

Payables and other liabilities are classified as current liabilities, unless the Group has the contractual right to settle its obligations at least after twelve months from the date of the financial statements. Financial liabilities are eliminated when they

are extinguished, or when the obligation specified in the contract is fulfilled, cancelled or expired.

Derivatives

Derivative financial instruments meet the criteria for classification as hedging instruments and thus the relationship with the item being hedged is documented, including the risk management objectives, the hedging strategy and the methods to assess effectiveness.

The effectiveness of each hedge is verified both at the initiation of each derivative instrument and during its life.

In the case of hedging aimed at neutralising the risk of changes in future cash flows originating from the future execution of transactions expected to be highly probable at the reporting date (cash flow hedge), the changes in the fair value of the derivative instrument recorded after the first recognition are accounted for, limited only to the effective portion, among the components of the comprehensive profit and loss.

CURRENT LIABILITIES

Financial liabilities (excluding derivative financial instruments), trade payables and other payables are initially recognised at fair value, net of directly attributable accessory costs, and are subsequently measured at amortised cost, applying the effective interest rate criterion. If there is an estimated change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Financial liabilities are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reference date. Financial liabilities are derecognised from the financial statements when they are extinguished and when the Group has transferred all risks and charges relating to the instrument.

REVENUES

Revenues represent the gross cash flows of economic benefits for the year deriving from the performance of ordinary activities. Fees collected on behalf of third parties such as sales taxes, taxes on third-party assets and value added tax are not and are therefore excluded from revenues.

The process underlying the recognition of revenues follows the steps envisaged by IFRS 15:

- 1) contract identification: this occurs when the parties approve the contract (with commercial substance) and identify their respective rights and obligations: in other words, the contract must be legally binding, the rights to receive goods and/or services can be clearly identified and in terms of payment and the Group deems it probable that the payment will be received;
- 2) identification of performance obligations: the main performance obligations identified, i.e., promises to transfer goods and services that are distinct, are the sale of yachts and refit services;
- 3) determination of the transaction price: this is the total amount contracted with the counterparty, having regard for the entire duration of the contract; the Group has defined the contractual duration as that deriving from the time required to build the yacht;
- 4) allocation of the transaction price to the performance obligations: the allocation takes place in proportion to the progress of the work on the yachts;
- 5) revenue recognition: revenue is represented net of discounts, allowances, returns and recognised in relation to the characteristics of the type of revenue.

The sale of a yacht complies with the requirements for the transfer of control and the fulfilment of the performance obligation over the period of time of construction of the yacht ("over time"). In particular, the orders are built on specific customer requirements and the Group has contractual rights that protect the recognition of the margin of the service completed up to the date in question. At the signing of the contract, the customer pays the Group an amount as an advance payment which, in the event of renouncement to the purchase of the yacht, may be retained and included in the revenues.

Revenues and related costs are recognised over time, i.e., before the goods are delivered to the customer. Progress made is measured using the cost-to-cost method and costs are recognised in the income statement when incurred.

Invoices are issued according to the conditions set forth in the contract for each individual unit. In particular, a payment on account is established at the start of

the contract, and invoices are subsequently issued on the achievement of specific partial completion stages (SALs).

By way of example (but not exhaustive as it depends on the type of contract), invoices are issued:

- upon signing the contract;
- upon completion of the hull, deck and superstructure;
- upon completion of the internal subdivision, rough finish;
- upon boarding of the main engines;
- upon completion of the works, when the ship is ready for delivery; at the same time the "Test and Acceptance Report" and the "Transfer of Ownership Deed" are signed.

It is estimated that a large part of the price of a yacht is paid, on average, by way of advance payment and in subsequent instalments during the course of the work in progress on the contract as shown above, while only a residual portion is settled upon final delivery of the unit.

Financial income

Interest income is recognised in accordance with the accrual principle, considering the actual return.

Accounting for government grants

Government grants are those that take the form of transfers of resources to an entity provided that it has complied with, or undertakes to comply with, certain conditions relating to its operating activities. Non-repayable loans are loans for which the lender undertakes to waive repayment in the event of established conditions.

COSTS

Costs are charged to the income statement when the amount can be determined objectively and when in the substance of the transaction it can be ascertained that the company has incurred these costs on an accrual basis.

Financial charges

Financial charges are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest method and exchange rate differences.

Dividends

Dividends payable are represented as changes in shareholders' equity in the year in which they are approved by the Shareholders' Meeting.

Taxes

Current taxes are set aside in accordance with the applicable regulations, based on an estimate of taxable income. Payables for current taxes are recorded in the balance sheet under current liabilities under the item "Tax payables" net of advances paid and withholding taxes. If there is a credit balance, the amount is shown under "Sundry receivables and other assets" under current assets.

Prepaid and deferred income taxes are calculated on the timing differences between the values of assets and liabilities determined according to statutory criteria and the corresponding values recognised for tax purposes. The valuation is made on the basis of the tax rates expected to be applied in the year in which these differences will be realised or extinguished and therefore will contribute to the formation of the tax result, considering the rates in force or those already issued at the reference date of the financial statements.

Deferred tax assets are recognised for all deductible timing differences, to the extent that it is probable that in the reversal period taxable income will be available against which said differences can be used. On the other hand, deferred taxes are recognised on all taxable timing differences, unless there is little likelihood that the related "payable" will arise.

Deferred tax assets and deferred tax liabilities are stated net under non-current assets or liabilities, as they refer to the same Revenue Agency.

Criteria for conversion of foreign currency items (not in the Eurozone)

Receivables and payables expressed in foreign currency are originally recognised on the basis of the exchange rates in force on the date on which they arose and, if existing at the end of the reporting period, are appropriately stated in the financial statements at the exchange rate in force at the end of the period, by crediting or debiting exchange gains or losses to the income statement.

Exchange rate differences are of a financial nature and as such are recognised in the income statement as financial income components, as they are not related to the commercial transaction in the strict sense, but express the changes over time - once the commercial transaction is concluded - of the currency chosen for the negotiation.

There are no significant effects to report from changes in exchange rates after the end of the year.

Use of estimates

The preparation of the financial statements requires the application of accounting standards and methods that, in certain circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic according to the relative circumstances.

The application of these estimates and assumptions affects the amounts reported in the financial statements, such as the statement of financial position, the statement of comprehensive income and the cash flow statement, as well as the information provided.

The final results of the financial statement items for which the aforementioned estimates and assumptions were used may differ from those reported in the financial statements that record the effects of the occurrence of the event subject to estimate, due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The accounting standards that require greater subjectivity in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data are briefly described.

In particular, it is believed that the items most subject to this subjectivity are:

- *Deferred tax assets: Deferred tax assets are accounted for on the basis of expectations of taxable income in future years.* The valuation of expected taxable income for the purposes of accounting for deferred tax assets depends on factors that may vary over time and determine significant effects on the recoverability of deferred tax assets.

- *Valuation of the ADMIRAL and TECNOMAR brands:* intangible assets with an indefinite useful life are not amortised; the recoverability of their book value is checked at least annually and in any case when events occur that suggest a reduction in value, based on an impairment test based on estimates and assumptions by management.
- *Recognition of revenues from contract work in progress:* Similarly to other large multi-year contracts, the contract for the construction of a yacht or a ferry precedes the realisation of the product, sometimes by a very substantial period of time. There are few cases of contractual price revision formulas, although there is the possibility of obtaining extra-prices for additions and variations, limited to cases of significant changes in the scope of supply. The margins that are expected to be recognised on the entire work on completion are recognised in the income statements of the relevant years based on progress; the correct recognition of the work in progress and of the margins relating to works not yet completed thus presupposes the correct estimate by the management of the costs to completion, of the assumed increases, and also of the delays, extra costs and penalties that could reduce the expected margin. To better support the estimates, management uses contract risk management and analysis schemes to monitor and quantify the risks related to the performance of these contracts. The values recorded in the financial statements represent the best estimate at the date made by management, with the help of said procedural supports.
- *Provisions for risks and charges:* Provisions representing the risk of a negative outcome are recognised for legal and tax risks and disputes. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate, to date, made by the company management. This estimate derives from the adoption of assumptions that depend on factors and circumstances that may change over time.

COMMENTS ON THE MAIN CONSOLIDATED ASSET ITEMS

NOTE 1 - BRANDS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Brands	34,685	3,554	31,131
TOTAL	34,685	3,554	31,131

<i>in thousands of Euro</i>	Admiral brand	Tecnomar brand	Perini brand	Picchiotti brand	Total
Net Book Value 31.12.2021	2,319	1,235	0	0	3,554
Investments	-	-	30,351	825	31,176
Net decreases	-	-	-	-	-
Depreciation	-	-	-	45	45
Net Book Value 31.12.2022	2,319	1,235	30,351	780	34,685

Trademarks: This item, amounting to Euro 34,685 thousand as at 31 December 2022, increased by Euro 31,131 thousand compared to 31 December 2021, following the acquisition of the Perini and Picchiotti brands included in the Perini Navi S.p.A. business complex.

Based on the results of the "Purchase Price Allocation - PPA", carried out in order to define the allocation of the sale price of the business complex to the various assets, a value of Euro 30,351 thousand was attributed to the Perini Navi brand and a value of approximately Euro 825 thousand to the Picchiotti brand.

The remaining item is composed of Euro 2,319 thousand for the purchase cost of the Admiral brand, incurred by The Italian Sea Group S.p.A. in 2011 and for Euro 1,235 thousand, from the purchase of the TECNOMAR brand from CELI S.r.l., which took place in December 2019; both trademarks were considered to have an indefinite useful life.

Contrary to what is envisaged for the Perini Navi brand, the Picchiotti brand has been measured at finite useful life and, consequently, amortised over a period of 18 years (depreciation in 2022 equals Euro 45 thousand).

Brands are tested for impairment indicators at least once a year. If the test shows an impairment loss, the Group records a corresponding write-down in the financial statements.

This test was based on the comparison between the recoverable value of the brands and their book value posted in the financial statements.

The Group has identified three CGUs (Cash Generating Units) corresponding to the five brands through which the Group operated during the year ended 31/12/2022: Admiral, TECNOMAR, Perini, Picchiotti and NCA Refit (internally generated brand with no net book value and therefore not subject to impairment test).

Pursuant to the applicable accounting regulations, the “recoverable amount” of the asset is equal to the higher of the “fair value net of disposal costs” and the “value in use”. The estimate of the value in use was carried out, in compliance with IAS 36, applying the principles of valuation best practice, by discounting the expected cash flows. The various expected cash flows, broken down by brand, are summarised in an average normal flow determined starting from the prospective data reported in the 2023-2026 Business Plan, approved by TISG's Board of Directors on 24 January 2023.

The 2023-2026 Business Plan incorporates some assessments on potential risk elements as well as counter-action and response actions.

The cost of capital used to discount the forecast cash flows of the estimated value of the CGU:

- It was estimated using the Capital Asset Pricing Model, which is an application criterion of general acceptance referred to in IAS 36;
- It reflects current market estimates of the time value of money and the specific risks of groups of assets;
- It was calculated using comparative market parameters to estimate the “beta coefficient” and the weighting coefficient of the equity and debt capital components;
- It takes into account the impacts deriving from the application of the new IFRS 16 standard.

With reference to the two CGUs subjected to impairment, we report:

- The weighted average cost of capital used to discount forecast cash flows (so-called WACC) of 10.70%.

The results of the impairment tests on TISG's brands were approved by the Board of Directors on 24 January 2023.

In light of all the above elements, no impairment losses occurred in 2022; therefore, the book values are confirmed.

NOTE 2 – OTHER INTANGIBLE ASSETS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Development costs	1,030	863	167
TOTAL	1,030	863	167

Projects: the item, equal to Euro 1,030 thousand as at 31 December 2022, up by Euro 167 thousand compared to 31 December 2021, net of amortisation, due to the registration of the patents deriving from the acquisition of the Perini Navi S.p.A. company complex, includes the Group's investments in the development of strategic projects, amortised over an estimated useful life of 5 years. In particular, for the recognition of these amounts in the financial statements, it emerged that, with regard to these projects:

- they were clearly identified and the related costs are reliably identifiable and measurable;
- their technical feasibility had been demonstrated;
- the intention to complete the projects and sell the intangible assets generated by the project had been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset has been demonstrated;
- the technical and financial resources necessary for the completion of the project are available.

Details of the type of project that make up this item are shown below:

<i>in thousands of Euro</i>	Tecnomar for Lamborghini	Total
Net Book Value 31.12.2021	863	863
<i>Changes in 2022</i>		
Investments	579	579
Net decreases	0	0
Depreciation	(412)	(412)
Net Book Value 31.12.2022	1,030	1,030

NOTE 3 - LAND AND BUILDINGS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Land and buildings	5,402	1,479	3,923
Buildings on land under concession	32,952	34,515	(1,563)
TOTAL	38,354	35,994	2,360

This item, totalling Euro 38,354 thousand as at 31 December 2022, increased by Euro 2,360 thousand compared to the previous year 2021, as a result of the acquisition of the Perini Navi S.p.A. business complex. The relative increases are listed below:

- LAND of Euro 1,275 thousand (La Spezia land Euro 1,200 thousand, Pisa land Euro 75 thousand);
- BUILDINGS La Spezia of Euro 2,650 thousand.

Changes in this item during the twelve months of 2022 are shown below:

<i>in thousands of Euro</i>	Land and buildings	Buildings on land under concession	Total
Historical cost	3,029	44,629	47,658
Depreciation provision	1,550	10,114	11,664
Net Book Value 31.12.2021	1,479	34,515	35,994
Changes in 2022			
Investments	4,075	0	4,075
Decreases	0	0	0
Transfers Work in progress and payments on account	0	0	0
Chg. Historical cost 2022	4,075	0	4,075
Depreciation	152	1,564	1,716
Release of Depreciation provision	0	0	0
Chg. Depreciation provision 2022	152	1,564	1,716
Historical cost	7,104	44,629	51,733
Depreciation provision	1,702	11,678	13,379
Net Book Value 31.12.2022	5,402	33,951	38,354

NOTE 4 - PLANT, MACHINERY AND EQUIPMENT

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Work in progress and payments on account	26,028	8,409	17,619
Industrial and commercial equipment	6,056	2,154	3,902
Plant and machinery	15,528	16,588	(1,060)
Moulds	1,570	1,557	13
TOTAL	49,182	28,708	20,474

Work in progress and payments on account: amounting to Euro 26,028 thousand at 31 December 2022, increasing by Euro 17,619 thousand compared to 31 December 2021, mainly related to works in progress for the construction of:

TISG 4.0 investments : at 31 December 2022 the Group made investments in the project, still in progress, for a total of Euro 9,451 thousand. In 2022, the coverage of the entire historic dry-dock built in 1973 was completed. Investments for the project will end in the first half of 2023.

TISG 4.1 investments : at 31 December 2022 the Group made investments, still in progress, for the project in question for a total of Euro 14,267 thousand. The investments concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. In detail, the investment involves the expansion of the shed located near the original basin, as well as of a number of structures and systems. This will allow the number of ships under construction to be expanded by 4 units. The main interventions are listed below:

- Demolition of a metal shed 86x25 meters approximately, used as a support warehouse for naval refit activities;
- Expansion of the existing construction basin cover shed (No. 5) through the construction of a new shed with a reinforced concrete structure, about 38 meters wide with a span and a width of 174 meters and a height of 25 meters, used for the construction and outfitting of pleasure yachts up to 90 meters long;
- Extension of the eastern quay;
- Construction of a single-storey box above ground with a metal structure adjacent to the sheds no. 5 and no. 6 instead of the planned 4-storey structure.

The new part being enlarged will allow the simultaneous construction of further 4 yachts of 60/70 meters in length, compared to the current logistical availability of the yard.

Investments for the project will end in the first half of 2023.

Industrial and commercial equipment: this item amounted to Euro 6,056 thousand as at 31 December 2022, up by Euro 3,902 thousand, compared with the year 2021, due to the

acquisition of the assets included in the Perini Navi complex and net of depreciation for the period. In particular, note the amount of the Syncrolift plant in Viareggio recorded for Euro 2,332 thousand.

Plant and machinery: this item, amounting to Euro 15,528 thousand as at 31 December 2022, decreased compared to the previous year 2021 by Euro 1,060 thousand, due to the depreciation for the period.

Moulds: this item, amounting to Euro 1,570 thousand as of 31 December 2022, increased, compared to 2021, by Euro 13 thousand net of the depreciation for the year.

The changes that took place during the year are shown below:

<i>in thousands of Euro</i>	Work in progress and payments on account	Industrial and commercial equipment	Plant and machinery	Moulds	Total
Historical cost	8,409	8,979	42,077	5,028	64,493
Depreciation provision	0	6,825	25,489	3,471	35,785
Net Book Value 31.12.2021	8,409	2,154	16,588	1,557	28,708
Changes in 2022					
Investments	19,912	5,137	700	223	25,972
Decreases	0	0	0	0	0
Transfers	(2,293)	0	0	0	(2,293)
Chg. Historical cost 2022	17,619	5,137	700	223	23,679
Depreciation	0	1,234	1,760	210	3,204
Release of Depreciation provision	0	0		0	0
Chg. Depreciation provision 2022	0	1,234	1,760	210	3,204
Historical cost	26,028	14,115	42,777	5,251	88,171
Depreciation provision	0	8,059	27,249	3,681	38,989
Net Book Value 31.12.2022	26,028	6,056	15,528	1,570	49,182

NOTE 5 - OTHER TANGIBLE ASSETS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Office furniture and machines	1,419	1,496	(77)
Cars	162	143	19
Transport vehicles	3	3	0
Electronic office machines	19	0	19
TOTAL	1,603	1,642	(39)

This item amounted to Euro 1,603 thousand at 31 December 2022, decreasing by Euro 39 thousand from 2021, net of depreciation for the year.

The item Motor Vehicles increased for 19 thousand and the item Electronic office machines for 19 thousand, due to new investments.

<i>In thousands of Euro</i>	Office furniture and machines	Cars	Transport vehicles	Total
Historical cost	4,605	368	225	5,198
Depreciation provision	3,109	225	222	3,556
Net Book Value 31.12.2021	1,496	143	3	1,642
Changes in 2022				
Investments	264	61	0	325
Decreases	0	0	0	0
Transfers	0	0	0	0
Chg. Historical cost 2022	264	61	0	325
Depreciation	322	42	0	364
Release of Depreciation provision	0	0	0	0
Chg. Depreciation provision 2022	322	42	0	364
Historical cost	4,869	429	225	5,523
Depreciation provision	3,431	267	222	3,920
Net Book Value 31.12.2022	1,438	162	3	1,603

NOTE 6 - RIGHT-OF-USE

The changes in this item are detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Right Of Use - Plant and Machinery	853	453	400
Right Of Use - Motor Vehicles	3,210	2,221	989
Right Of Use - Buildings under state concession	42,014	6,215	35,799
TOTAL	46,077	8,889	37,188

The item Right-Of-Use ("ROU") includes the recognition under tangible fixed assets of the rights of use of the assets held by the Group under lease agreements, in accordance with the provisions of IFRS 16.

The item ROU plant and machinery, equal to Euro 853 thousand as at 31 December 2022, up by Euro 400 thousand compared to 31 December 2021, includes the leases for an electrical substation located in La Spezia, an electrical substation serving the east quay in Marina di Carrara and the purchase of a 4-wheel brushing machine.

The item ROU - Motor Vehicles, equal to Euro 3,210 thousand as at 31 December 2022, up by Euro 989 thousand compared to 31 December 2021, includes the leases of the motor vehicles that make up the corporate fleet, which increased as a result of new contracts signed in the year net of amortisation for the period.

The item ROU Buildings held under state concession, amounting to Euro 42,014 thousand as at 31 December 2022, refers to the recognition of the discounted value of the state concessions relating to Marina di Carrara (concession expiring in December 2043), La Spezia (concession expiring in February 2035), Viareggio (concession expires in December 2037).

The table of changes is shown below:

<i>in thousands of Euro</i>	Right Of Use Motor Vehicles	Right Of Use Plant and Machinery	Right Of Use Buildings	Right Of Use Buildings under state concession	Total
Historical cost	2,917	1,149	0	7,851	11,917
Depreciation provision	695	697	0	1,635	3,027
Net Book Value 31.12.2021	2,221	453	0	6,215	8,889
Changes in 2022					
Investments	1,690	690	0	38,875	41,255
Decreases	0	0	0	0	0
Transfers	0	0	0	0	0
Chg. Historical cost 2022	1,690	690	0	38,875	41,255
Depreciation	781	290	0	3,076	4,147
Release of Depreciation provision	80	0	0	0	80
Chg. Depreciation provision 2022	701	290	0	3,076	4,067
Historical cost	4,607	1,839	0	46,726	53,172
Depreciation provision	1,396	987	0	4,711	7,094
Net Book Value 31.12.2022	3,210	853	0	42,014	46,077

NOTE 7 - EQUITY INVESTMENTS

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Equity investments in subsidiaries	153	0	153
Equity investments in other companies	43	43	0
TOTAL	196	43	153

The item "equity investments in subsidiaries" includes the shareholding (100%) in TISG Turkey Yat Tersanecilik Anonim Sirketi, acquired in July 2022 by the parent company GC Holding S.p.a. for a value of 153 thousand.

The item "equity investments in other companies" includes the amount relating to the purchase of 250 shares, equal to 2.5% of the total share capital of the T.I.S.G. Asia Limited Group, based in Hong Kong, carried out in 2017. TISG Asia Limited currently operates as the Group's broker in the Asian market.

NOTE 8 - OTHER NON-CURRENT ASSETS

This item is composed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Non-current security deposits	165	55	110
Other securities	2,950	364	2,586
Receivables from the subsidiary	133	0	133
Receivables from CELL for long-term tax transaction	3,328	3,803	(475)
TOTAL	6,576	4,222	2,354

The item, which increased compared to 2021 by Euro 2,354 thousand, is detailed as follows:

- **Security deposits** : this item, amounting to Euro 165 thousand, increased by Euro 110 thousand due essentially to the advances paid in relation to the construction of the photovoltaic plant in Marina di Carrara.
- **Other securities**: recorded for Euro 2,950 thousand as at 31 December 2022, the item, which increased by Euro 2,586 thousand compared to 31 December 2021, is due to the recognition of the fair value of derivative financial instruments hedging existing loans for Euro 2,358 thousand as at 31 December 2022.
- **Receivables from the subsidiary**: Recorded for Euro 133 thousand, referring to a receivable from the subsidiary TISG Turkey.
- **Receivables from CELL**: the item refers to the long-term portion of the receivable arising from the related CELL as part of the Tax Settlement signed by CELL and TISG with the Revenue Agency in October 2020, for which TISG has already advanced Euro 8,080 thousand to the Revenue Agency on behalf of CELL. This amount will be repaid by CELL to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per year, starting from 30 June 2021 until 31 December 2030.

NOTE 9 - CASH AND CASH EQUIVALENTS

The item can be broken down as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Bank and post office deposits	81,316	85,614	(4,298)
Cash	1	1	0
TOTAL	81,317	85,615	(4,298)

The item Bank and post office deposits as at 31 December 2022 amounted to a total of Euro 81,317 thousand, a decrease of Euro 4,298 thousand compared to 31 December 2021. For more details on the change, please see the cash flow statement.

NOTE 10 – TRADE RECEIVABLES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Receivables from customers	21,469	10,236	11,233
TOTAL	21,469	10,236	11,233

Receivables from customers, amounting to Euro 21,469 thousand, increased by Euro 11,233 thousand compared to 31 December 2021, mainly arose from commercial transactions related to the progress of production orders and refit services. Recognition in the financial statements is carried out at their estimated realisable value.

Changes in the bad debt provision are shown below:

<i>in thousands of Euro</i>	31.12.2021	Provision made	Provision used	31.12.2022	Changes
Bad debt provision (trade receivables)	(460)	450	0	(910)	(450)
Bad debt provision (competition procedures)	(371)	0	0	(371)	0
TOTAL	(831)	450	0	(1,281)	(450)

The provision existing at the end of the year represents an estimate of the probability of future losses on receivables, based on the experience gained and knowledge of the credit situation of the counterparties, even in the absence of events that indicate the need to write down certain credit positions.

NOTE 11 - OTHER RECEIVABLES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Advances to suppliers	2,486	1,585	901
Receivables from subsidiaries	0	8,000	(8,000)
Receivables from parent companies	67	67	0
Tax receivables	3,403	687	2,716
TOTAL	5,956	10,339	(4,383)

The item **Advances to suppliers** , amounting to Euro 2,486 thousand at 31 December 2022, increased by Euro 901 thousand compared to 31 December 2021, includes advances paid to suppliers with whom tender contracts were signed for work in progress.

The **Receivable from subsidiaries** , which decreased as at 31 December 2021 by Euro 8,000 thousand, refers to the amount that TISG has granted to New Sail S.r.l. for its participation in the bankruptcy auction to purchase the Perini Navi S.p.A. company complex. This amount was reduced to zero following the merger by incorporation of New Sail in TISG.

The **Receivable from parent companies** , recognised at 31 December 2022 for Euro 67 thousand, refers to payments made by TISG on behalf of the parent company GC Holding S.p.A..

Tax receivables: this item, amounting to Euro 3,403 thousand as at 31 December 2022, increased by Euro 2,716 thousand compared to 31 December 2021 and mainly refers to the VAT credit due to TISG from the Tax Authorities.

NOTE 12 – ASSETS AND LIABILITIES FROM CONTRACT WORK IN PROGRESS

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Assets from contract work in progress	49,468	41,336	8,132
Liabilities from contract work in progress	(16,800)	(16,345)	(455)
TOTAL	32,668	24,991	7,677

The item "assets from contract work in progress", amounting to Euro 32.668 thousand, includes construction contracts whose progress is higher than the amount invoiced to the customer. Compared to 31 December 2021, this item increased by Euro 7,677 thousand. This increase is mainly attributable to the trend of the order curves.

The item "liabilities from contract work in progress", equal to Euro 16.800 thousand, includes contracts for which the value of payments on account invoiced to the customer are higher than

the work progress. Compared to 31 December 2021, an increase of approximately Euro 455 thousand was reported.

The net values reflect the valuations of contracts in progress and show an increase compared to the previous year, due to the normal progress of production with respect to the invoicing of SALs.

The progress is determined by the costs incurred plus the margins recognised and net of any amount already invoiced.

The development of this item at 31 December 2022 and at 31 December 2021 for yachts under contract is shown below:

<i>in thousands of Euro</i> 31.12.2021	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	807,726	305,475	(281,087)	24,388
Refitting orders	18,948	9,934	(9,331)	603
Total	826,674	315,409	(290,418)	24,991

<i>in thousands of Euro</i> 31.12.2022	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	1,003,357	426,312	(397,525)	28,788
Refitting orders	34,208	24,100	(20,220)	3,880
Total	1,037,565	450,412	(417,745)	32,668

As at 31 December 2022, there were 31 yachts (including 13 Tecnomar for Lamborghini 63 motor yachts) in production to order, with Refit services being carried out on 10 yachts.

NOTE 13 - INVENTORIES

This item is composed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Raw materials, supplies and consumables	340	276	64
Work in progress and semi-finished products	3,233	974	2,259
Finished products and goods	0	0	0
TOTAL	3,573	1,250	2,323

The item **Raw materials, supplies and consumables**, amounting to Euro 340 thousand, increased by Euro 64 thousand compared to 2021, refers to the amount of inventories of the general warehouse of TISG and the internal laboratories.

Work in progress and semi-finished products as at 31 December 2022 amounted to Euro 3,233 thousand, with an increase of Euro 2,259 thousand compared to 31 December 2021, mainly referring to the hull of a 47-meter sailing yacht, currently under construction, acquired within the Perini Navi S.p.A. business complex, for approximately Euro 2,100 thousand, and for the remaining Euro 1,200 thousand as a result of the capitalisation of costs incurred for the construction of hulls for orders for which sales negotiations are underway.

NOTE 14 - OTHER CURRENT ASSETS

The breakdown of other current assets is shown below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Receivables from social security and tax authorities	38	33	5
Due from others (net of the related write-down provision)	113	92	21
Receivables from GFM	143	144	(1)
Receivables from CANTALUPI Corrente	0	450	(450)
Receivables from Tekno Consulting	10	0	10
Receivables from CELI for tax transaction	475	475	0
Receivables from insurance companies	36	0	36
Prepaid expenses	1,963	1,190	773
TOTAL	2,778	2,384	394

Receivables from social security and tax authorities : equal to Euro 38 thousand at 31 December 2022, refer primarily to advances on INAIL contributions.

Receivables from others : this item, amounting to Euro 163 thousand at 31 December 2022, up by Euro 71 thousand compared to 31 December 2021, includes a number of receivables net of the related provision for write-downs.

Receivables from GFM : this item, amounting to Euro 143 thousand at 31 December 2022, includes the receivable claimed by the Group in relation to two partial awards in favour of TISG, with payment of a total of approximately Euro 210 thousand, for the recoverability of which the lawyers of TISG have expressed a positive opinion. Not having paid GFM voluntarily, TISG acted for the recognition of these awards in Switzerland and an opposition by GFM is currently pending. The difference of Euro 67 thousand that makes up the request for Euro 210 thousand of TISG described above, is included in trade receivables due from customers.

Receivables due from CELI for tax settlement : this item, amounting to Euro 475 thousand, refers to the short-term portion of the receivable from the Group related CELI S.r.l. as part of the Tax Settlement signed by CELI and TISG with the Tax Authority in October 2020 (see note no. 8).

The item **Prepayments**, equal to Euro 1.963 thousand, refers primarily to the calculation of the accruals of the insurance costs of the yard and of the builder risks of the yachts in production.

COMMENTS ON THE MAIN CONSOLIDATED LIABILITY ITEMS

NOTE 15 - SHAREHOLDERS' EQUITY

The ordinary Shareholders' meeting of 29 April 2022 approved the financial statements as at 31 December 2021 and resolved to allocate part of the previous year's result to the legal reserve of approximately Euro 950 thousand and to distribute dividends of Euro 0.185 per share to shareholders. The remaining part of the profit (loss) for the year, equal to approximately Euro 5,577 thousand, was carried forward.

The remaining changes are attributable to the effect of the cash flow edge of hedging derivatives and the change in the OCI reserve following the application of IAS 19

The breakdown of Shareholders' Equity is shown below:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Share capital	26,500	26,500	0
Share premium reserve	45,431	45,431	0
Legal reserve	5,300	4,350	950
Reserves and other retained earnings	7,724	285	7,439
Profit (loss) for the period	24,046	16,322	7,724
TOTAL	109,001	92,888	16,113

At 31 December 2022, the **Share Capital** of TISG stood at Euro 26,500 thousand consisting of 53,000,000 shares with a nominal value of Euro 0.5 per share, fully subscribed and paid up.

NOTE 16 - PROVISIONS FOR RISKS AND CHARGES

Details of the changes and composition of the provisions for risks and charges from 31 December 2021 to 31 December 2022 are shown below:

CHANGES IN PROVISIONS FOR RISKS					
<i>In thousands of Euro</i>	31.12.2021	Alloc.	Use	31.12.2022	Delta
Civil actions	225	0	(20)	205	(20)
Provision for risks of legal and employment disputes	82	0	0	82	0
Provision for vessel guarantee	2,091	958	(591)	2,458	367
Risks for previous taxes	659	95	(69)	685	26
Other risks	9	16	(24)	1	(8)
TOTAL	3,066	1,069	(704)	3,431	365

Provision for civil actions

The provision collects the estimate of the probability of losing in threatened civil proceedings or in relation to out-of-court claims for damages.

The change in the provision was determined on the basis of information obtained from external lawyers and in application of the provisions of IAS 37.

Provision for risks of legal and employment disputes

The provision is made up, for Euro 82 thousand, of allocations made to cover the risk of losing in relation to certain employment law disputes.

Yacht guarantee fund

This provision includes allocations for guarantees calculated against the probable future expense that the Group has estimated it will have to incur. It should be noted that, in addition to the provision in question, to cover the risk of any interventions under warranty to be carried out on the yachts already delivered or still in progress, TISG also makes use of its own insurance coverage and that of its suppliers.

Provision for previous taxes

This is a provision that includes allocations for risks of a fiscal nature arising from possible requests from the Revenue Agency or other entities. The provision for the year represents an estimate of possible claims for municipal taxes related to the investments made by the Group in recent years, while the provision has decreased due to payments made during the year of amounts already allocated in previous years.

Provision for other risks

This is mainly the amount of the supplementary pension fund of some TISG workers.

NOTE 17 - DEFERRED TAXES

Changes in deferred taxes are shown below:

in thousands of Euro	31/12/2022	31/12/2021	Changes
Provision for risks and charges	757	660	97
Losses carried forward	0	0	0
Others	2,894	2,500	394
Deferred tax assets	3,651	3,160	491

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Tangible assets	3,649	3,971	(322)
Brands	896	367	529
Others	0	0	0
Deferred tax liabilities	4,545	4,338	207
Net amount	(894)	(1,178)	284

Deferred taxes are mainly related to the differences that arose during the transition to IFRS concerning the valuation of certain categories of tangible fixed assets at deemed cost. The other temporary differences mainly refer to the difference between the book value of the items represented above and the tax value.

NOTE 18 – PROVISION FOR EMPLOYEE BENEFITS

The breakdown of the provision for employee benefits is shown below:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Liabilities for employee benefits	1,251	760	491
TOTAL	1,251	760	491

Employee benefits, which, according to Italian regulations, are categorised as severance indemnity (TFR) are considered by IAS 19 as “post-employment benefits”; they represent “defined benefit” pension plans and are therefore subject to valuation using the actuarial “Projected Unit Credit Method”.

NOTE 19 - LONG-TERM FINANCIAL LIABILITIES

The item can be broken down as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Long-term bank payables	66,287	23,863	42,424
Lease liabilities - Motor vehicle long-term portion	2,834	1,759	1,075
Lease liabilities - Plant and machinery long-term portion	516	191	325
Lease liabilities - Buildings held under state concession long-term portion	6,561	5,565	996
TOTAL	76,198	31,378	44,820

The item **Long term bank payables**, amounting to Euro 66,287 thousand, represents the amount maturing beyond the financial year 2023 of the medium and long term loans entered into in previous years and in the current year. This item increased by Euro 42,424 thousand with reference to: i) taking out a loan in the amount of Euro 40 million, made available by Banca MPS through MPS Capital Services, the Corporate & Investment Bank of the Montepaschi Group; ii) signing on 27 January 2022 of a medium/long-term loan agreement between TISG, UniCredit S.p.A. and Deutsche Bank S.p.A. for an amount of Euro 32 million net of the full early repayment of Euro 15.9 million of the previous loan of 8 May 2020 and

for the support of the investments of the Group expected in the year 2022 referred to in the TISG 4.0 Project and the TISG 4.1 Project. The final repayment date is scheduled for 31 December 2028.

The items **Lease liabilities - Motor Vehicles** , **Lease liabilities - Plant and Machinery** and **Leased liabilities - Leased Buildings** of Euro 2,834 thousand, Euro 516 thousand as at 31 December 2022, refer to the long-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities - Buildings held under state concession , amounting to Euro 6,561 thousand at 31 December 2022, represent the long-term portion of the current value of the fees to be paid to the Port Authority, in application of the IFRS 16 accounting standard, for the concession of the state property complex located in Marina di Carrara, La Spezia and Viareggio.

The details of the financial liabilities with indication of maturity date are shown below:

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Unicredit payables	125	125	-	-
BPM payables	298	206	92	-
Pool payables (Unicredit - Deutsche Bank)	28,431	4,682	18,951	4,798
Banca Intesa payables	3,096	779	2,317	-
MPS payables	9,467	1,600	6,400	1,467
MPS Capital service payables	39,033	6,771	27,715	4,547
Right Of Use payable	10,907	996	4,702	5,209
Minor Financial Payables	34	34	-	-
Total	91,391	15,193	60,177	16,021

NOTE 20 - OTHER NON-CURRENT LIABILITIES

Details of other non-current liabilities are provided below:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Subsidised settlement - TER scrapping - long-term portion	50	486	(436)
TOTAL	50	486	(436)

The item **Subsidised settlement - TER scrapping** , amounting to Euro 50 thousand at 31 December 2022, includes the long-term part of the instalment plan signed with the Revenue Agency for all positions entered in the tax roll by 31 December 2017.

NOTE 21 - TRADE PAYABLES

The item can be broken down as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Payables to suppliers within the following year	78,770	57,146	21,624
TOTAL	78,770	57,146	21,624

Payables to suppliers: this item, amounting to Euro 78,770 thousand at 31 December 2022, shows an increase of Euro 21,624 thousand compared to 31 December 2021, due to the significant increase in operating activities necessary for the work on the orders in progress, for the development of refit activities, and for the investments of the TISG 4.0, TISG 4.1 and TISG 4.2 projects.

NOTE 22 - OTHER PAYABLES

The item can be broken down as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Subsidised settlement - TER scrapping - short-term portion	580	590	(10)
Payables to social security institutions	1,680	1,400	280
Tax payables	7,641	3,633	4,008
Other payables	3,887	0	3,887
TOTAL	13,788	5,623	8,165

The short-term portion of the **Subsidised Settlement - TER Scrapping** , recognised in the financial statements at 31 December 2022 for Euro 580 thousand, refers to the portion of the instalment in progress with the Revenue Agency for Collection due in 2023.

The item **Payables to social security institutions** , amounting to Euro 1,680 thousand at 31 December 2022, refers to the debt for contributions payable by the Company to INPS, for the month of December 2022, to INAIL, to Fasi and Previndai, to the Cometa Supplementary Fund and other minor funds.

The item **Tax payables** , equal to Euro 7,641 thousand at 31 December 2022, mainly includes payables to the tax authorities for IRES and IRAP 2022.

The item **Other payables** , amounting to Euro 3,887 thousand as at 31 December 2022, mainly includes payments received on a dedicated current account, to manage the current expenses of a 140-metre motor yacht currently subject to a freezing decree, as required by EU regulations. The property, owned by the State, was entrusted to TISG which, among other things, is carrying out important refit works.

NOTE 23 - SHORT-TERM FINANCIAL LIABILITIES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Payables to shareholders for short term loans	0	3,161	(3,161)
Short-term payables to banks	14,164	7,574	6,590
Lease liabilities - Motor vehicle short term portion	504	349	155
Lease liabilities - Plant and machinery short-term portion	223	184	39
Lease liabilities - Buildings held under state concession short-term portion	269	178	91
Short term payables to other lenders	33	33	0
TOTAL	15,193	11,479	3,714

Payables to shareholders for short term loans , amounting to Euro 0 thousand at 31 December 2022, as the debt is paid off in July 2023; in 2021 referred to interest-bearing disbursements made by the parent of TISG, GC Holding S.p.A.

The item **Short-term payables to banks** , amounting to Euro 14,164 increased by Euro 6,590 thousand compared to 31 December 2021, includes the portion to be paid within the next financial year of the loans subscribed by the Group as well as advances on contracts and cash credit lines.

The items **Lease liabilities - Motor Vehicles** , **Lease liabilities - Plant and Machinery** and **Lease liabilities - Leased Buildings** of Euro 504 thousand, Euro 223 thousand as at 31 December 2022, refer to the short-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities - Buildings under state concession , amounting to Euro 269 thousand, refer to the short-term portion of payables for the state concessions of Marina di Carrara, La Spezia e Viareggio, in application of IFRS 16.

Payables to other lenders refer, for Euro 33 thousand, to the short-term portion of no. 4 loans taken out for the purchase of no. 4 motor vehicles owned by TISG.

The details of the financial liabilities with indication of maturity date are shown below:

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Unicredit payables	125	125	-	-
BPM payables	298	206	92	-
Pool payables (Unicredit - Deutsche Bank)	28,431	4,682	18,951	4,798
Banca Intesa payables	3,096	779	2,317	-
MPS payables	9,467	1,600	6,400	1,467
MPS Capital service payables	39,033	6,771	27,715	4,547
Right Of Use payable	10,907	996	4,702	5,209
Minor Financial Payables	34	34	-	-
Total	91,391	15,193	60,177	16,021

NOTE 24 - OTHER CURRENT LIABILITIES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Accrued expenses	728	207	521
Other payables due within the next year	26,158	14,518	11,640
TOTAL	26,886	14,725	12,161

The item **Other payables**, amounting to Euro 26,886 thousand at 31 December 2022, increased by Euro 12,161 thousand compared to the previous year 2021 and is mainly composed as follows:

- payables to employees for holidays and leave accrued by them at 31 December 2022 in the amount of Euro 4,171 thousand;
- Tecnomar For Lamborghini deposits and Deposits for contracts under constructions of Euro 21,930 thousand refers to the deposits paid by the respective customers upon the signing of contracts for the construction and sale of M/Y Tecnomar for Lamborghini.

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

NOTE 25 - REVENUES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Revenues from sales and services	283,835	174,767	109,068
Change in contract work in progress	7,675	11,287	(3,612)
Total operating revenues	291,510	186,054	105,456
Other revenues and income	7,710	5,448	2,262
Commissions	(4,093)	(4,825)	732
TOTAL	295,128	186,677	108,451

Revenues from sales and services , amounting to Euro 283,835 thousand at 31 December 2022, increased compared to the previous year by approximately Euro 109,068 thousand, following the subscription of 6 contracts for the production and sale of yachts between 40m and 100m in length and 8 contracts for motor yachts of around 20m under the Tecnomar for Lamborghini brand.

The breakdown of operating revenues by production segment is shown below:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Production and sale of yachts (Shipbuilding)	255,299	164,143	91,156
incidence on total operating revenues	88%	88%	86%
Refit Activities	36,211	21,911	14,300
incidence on total operating revenues	12%	12%	14%
Operating revenues	291,510	186,054	105,456

The **Other revenues and income** , equal to Euro 7,710 thousand at 31 December 2022, are detailed as follows:

- **insurance settlements** for an amount of Euro 624 thousand at 31 December 2022, refer to reimbursements paid in 2022 by the insurance companies for costs incurred by TISG in 2022, relating to claims for adverse weather events and damage to vehicles. In particular, the most significant claim occurred in August 2022 with an insurance reimbursement of Euro 600 thousand.
- **Other revenues** for an amount of Euro 5,900 thousand deriving from the management of existing constructions.

- **contingent assets** for Euro 440 thousand at 31 December 2022, which essentially refer to extraordinary income obtained following the successful conclusion of some disputes, thanks to the collection activities carried out by the Group's lawyers;

The **commissions payable**, recognised in the financial statements as at 31 December 2022 for Euro 4,093, refer to the brokerage activities of some of the main brokers in the sector, which have been collaborating with the Company for years to procure customers, and to royalties accrued to Automobili Lamborghini during 2022 for the exclusive use of the Lamborghini brand.

NOTE 26 - RAW MATERIALS, COMPONENTS AND CONSUMABLES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Raw materials, consumables and goods	(67,048)	(44,939)	(22,109)
Short-term rentals	(1,140)	(236)	(904)
Changes in inventories of raw materials	(104)	65	(169)
Change in inventories of semi-finished and finished products	159	(1,574)	1,733
TOTAL	(68,133)	(46,684)	(21,449)

The item **costs for raw materials, consumables and goods**, amounting to Euro 67,048 thousand at 31 December 2022, up compared to the previous year of 2021 by Euro 22,109 thousand, includes all costs relating to the procurement of materials necessary for the development of the production activities.

Short-term rentals, amounting to Euro 1,140 thousand at 31 December 2022, refer to all costs incurred for the rental of equipment, forklifts and scaffolding for specific short periods strictly linked to production requirements, especially in the context of refit services.

The item **Changes in inventories of raw materials**, which represents a balance of Euro 104 thousand at 31 December 2022, is related to the increase in raw materials stored in the general, steel and joinery warehouses.

The **change in finished and semi-finished products** shows a positive balance of Euro 159 thousand as at 31 December 2022, mainly due to costs incurred for the execution of orders for which a future sale is expected.

NOTE 27 - COST FOR OUTSOURCED WORK

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Outsourced works	(117,942)	(71,278)	(46,664)
TOTAL	(117,942)	(71,278)	(46,664)

Costs for Outsourced work, equal to Euro 117,942 thousand at 31 December 2022, up by Euro 46,664 thousand compared to 31 December 2021, refers to production activities managed in outsourcing by specialised nautical sector companies. In particular, they relate to marine carpentry services, turnkey furnishings of yachts and superyachts, electrical and plumbing work, and interior and exterior fittings of the yachts. The increase recorded in 2022 is linked to the development of growth for external lines, which involves the transfer, outside the Marina di Carrara shipyard, of the realisation of some processing phases such as those relating to the construction of the hull.

NOTE 28 – SERVICES AND TECHNICAL CONSULTANCY

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Other services and consultancy	(16,137)	(3,006)	(13,131)
Legal, tax and notary consultancy	(621)	(2,030)	1,409
Independent Audit fees	(49)	(198)	149
TOTAL	(16,807)	(5,234)	(11,573)

The item **Other services and consultancy**, amounting to Euro 16,137 thousand as at 31 December 2022, increased consistently by Euro 13,131 thousand compared to 2021 due to a greater number of design phases of the new mega yachts entrusted to external designers and architects.

The item **Legal, tax and notary consultancy**, amounting to Euro 621 thousand at 31 December 2022, includes the costs incurred for the management of legal activities, employment law advice, consultancy on the sector VAT regulations, as well as expenses for the notarial deeds for all contracts for the sale of yachts, extraordinary transactions and other advice. The item decreased by Euro 1,409 thousand compared to 2021.

Note 29 - OTHER COSTS FOR SERVICES

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Transport costs	(847)	(655)	(192)
Maintenance costs	(87)	(222)	135
Supervision	(622)	(505)	(117)
Research costs	(591)	(1,744)	1,153
Miscellaneous administrative expenses	(471)	(159)	(312)
Utilities	(4,485)	(2,912)	(1,573)
Shipyard and vessel insurance	(2,579)	(1,976)	(603)
Cleaning and waste disposal costs	(131)	(196)	65
Sundry employee services	(499)	(375)	(124)
Advertising and entertainment expenses	(627)	(731)	104
Bank charges and commissions	(330)	(384)	54
Fuels	(15)	(33)	18
Telephone costs	(142)	(81)	(61)
Software interventions	8	(60)	68
Directors' fees and expenses	(813)	(492)	(321)
Board of Statutory Auditors fee	(32)	(19)	(13)
Supervisory Body	(17)	(17)	0
Directors' remuneration	(56)	(45)	(11)
Other expenses	(402)	(89)	(313)
TOTAL	(12,738)	(10,695)	(2,043)

Costs for Utilities , amounting to Euro 4,485 thousand at 31 December 2022, increased by Euro 1,573 thousand compared to the previous year, mainly as a result of the development of the business, the entry into operation of the facilities and energy consumption linked to investment management. Furthermore, there has been a significant increase in the price/kw, from 0.22€/kw in 2021 to 0.32€/kw in 2022.

Sundry employee services , amounting to Euro 499 thousand at 31 December 2022, increased by Euro 124 thousand compared to 2021 and mainly refer to services related to canteen and catering, managed in the company Village and for travel and business trips for the start-up of the foreign outsourcing of the production of structural work and some commercial trips.

Shipyard and vessel insurance , amounting to Euro 2,579 thousand as at 31 December 2022, increased by Euro 603 thousand as a result of business development.

NOTE 30 - PERSONNEL COSTS

This item represents the total expense incurred for TISG employees; it includes salaries, related social security and pension costs payable by the Group, donations and flat-rate travel expenses.

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
For personnel	(19,788)	(14,740)	(5,048)
Social security charges	(6,913)	(5,330)	(1,583)
Severance indemnity	(1,377)	(957)	(420)
Other costs	(1,484)	(1,090)	(394)
TOTAL	(29,562)	(22,117)	(7,445)

The average number of TISG employees in 2022 is equal to 470 as follows:

Average number	2022	2021
Executives	23	19
Office staff	290	216
Manual Workers	163	131
TOTAL	476	366

The number of employees as at 31 December 2022 was 530, broken down as follows:

Precise number at 31 December	2022	2021
Executives	23	19
Office staff	324	243
Manual Workers	183	139
TOTAL	530	401

The management of all production phases led to a significant increase in employment levels, which is why TISG now plays a fundamental role within the Tyrrhenian Sea district in the luxury mega yacht production nautical sector, as one of the main players in terms of employment opportunities.

NOTE 31 - OTHER OPERATING COSTS

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Provision for risks	(1,053)	(1,773)	720
Contingent liabilities	(475)	(527)	52
Losses on receivables	0	0	0
IMU - Tasi	(384)	(230)	(154)
Municipal taxes	(444)	(287)	(157)
Branding	(547)	(769)	222
Other operating costs	(3,473)	(96)	(3,377)
TOTAL	(6,376)	(3,682)	(2,694)

The item **provisions for risks** , equal to Euro 1,053 thousand as at 31 December 2022, mainly refers to the allocation to the guarantee provision for yachts under production for Euro 958 thousand.

Contingent liabilities , equal to Euro 475 thousand at 31 December 2022, mainly refer to extraordinary items of income, lost revenues, items that have contributed to increasing income during past years, but which are not reflected in the current year.

The item **Other operating costs** include Euro 3.473 thousand of non-recurring operating costs related to registration taxes and notary fees incurred for the acquisition of the Perini Navi business complex.

NOTE 32 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS

This item is detailed as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Depreciation of tangible fixed assets	(9,395)	(4,998)	(4,397)
Amortisation of intangible fixed assets	(494)	(346)	(148)
Write-downs and losses on receivables	(450)	(403)	(47)
TOTAL	(10,339)	(5,747)	(4,592)

As regards the depreciation of tangible and intangible fixed assets, please refer to **note no. 2** and **note no. 6** .

For the item **Write-downs and losses on receivables** , please refer to the previous **note no. 10**.

NOTE 33 - FINANCIAL INCOME AND CHARGES

The item can be broken down as follows:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Other financial income	447	187	260
Interest expense to banks and others	(3,849)	(2,888)	(961)
Interest expense on interest-bearing loan to shareholders	(46)	(66)	20
Interest expense on Lease liabilities	(369)	(321)	(48)
TOTAL	(3,817)	(3,088)	(729)

NOTE 34 - INCOME TAXES

The reconciliation table of the tax burden is shown below:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021
Theoretical IRES rate	24.00%	24.00%
Profit before taxes	29,615	18,162
THEORETICAL IRES		
Total increases	3,656	5,000
Total decreases	(11,801)	(8,106)
Taxable income	(21,469)	(15,057)
Effect of tax losses usable at 80%	0	7,506
ACE	750	1,051
Net taxable income	(20,719)	(6,500)
IRES 24%	(4,973)	(1,560)
IRAP	(1,209)	(923)
Total current taxes	(6,182)	(2,483)
Deferred tax assets/liabilities	663	653
Contingent assets from Patent Box application	151	0
TOTAL TAXES	(5,368)	(1,831)

It should be noted that the Group benefited for the years 2019, 2020, 2021 and 2022 from the preferential taxation regime by applying the Patent Box discipline. Since TISG is one of the parties able to exercise the option under Article 4 of Decree Law of 30 April 2019, converted, with amendments, by Law No. 58 of 28 June 2019, as well as in accordance with the terms and conditions set forth in the provision No. 658445 of the Director of the Revenue Agency, it has chosen to exercise the option to directly determine its taxable income, as set forth in Article 1 of the same provision.

NOTE 35 - GAINS/(LOSSES) FROM REMEASUREMENT OF LIABILITIES TO DEFINED BENEFIT PLANS

The actuarial model of reference for the valuation of severance pay is based on various demographic and economic assumptions.

For some of the assumptions used, where possible, explicit reference was made to the direct experience of the Group, for the others the reference best practice was taken into account. The economic technical bases used are shown below:

SUMMARY OF THE ECONOMIC TECHNICAL BASIS	31/12/2022	31/12/2021	31/12/2020
Annual discount rate	3,57%	0.29%	-0.08%
Annual inflation rate	2.30%	1.75%	0.80%
Annual rate of increase in severance indemnity	3,23%	2.81%	2.10%

In particular, it should be noted that:

- the annual discount rate used to determine the current value of the obligation was derived, in accordance with par. 83 of IAS 19, from the Iboxx Corporate AA index with duration 5-7 recorded at the measurement date. For this purpose, the return with a duration comparable to the duration of the collective of workers subject to valuation was chosen;
- the annual rate of increase in severance indemnity as set forth in Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points.

The technical demographic bases used are shown below:

Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables broken down by age and gender
Retirement	100% upon achievement of the AGO requirements adjusted to Law Decree no. 4/2019

Additional information:

The new IAS 19, for post-employment defined benefit plans, requires a series of additional information that is reported below:

Sensitivity analysis of the main valuation parameters	
THE ITALIAN SEA GROUP S.P.A.	DBO 31.12.22
Turnover rate +1%	1,147,343.00
Turnover rate -1%	1,143,490.72
Inflation rate +0.25%	1,154,211.59
Inflation rate -0.25%	1,136,865.62
Discount rate +0.25%	1,132,441.74
Discount rate -0.25%	1,158,827.59

Service Cost and Duration	
THE ITALIAN SEA GROUP S.P.A.	
Service Cost 2021	40,027.73
Duration	6.51

Estimated future disbursements	
Years	Expected disbursements
1	180,270.32
2	184,144.94
3	136,377.97
4	131,080.45
5	107,947.26

NOTE 36 - CASH FLOW HEDGES

In the context in which the use of the derivative instrument is formally designated to hedge a specific risk and this hedge is effective, it is possible to apply the Hedge Accounting rules that envisage accounting rules differentiated by type of hedge.

A hedging instrument is one whose fair value or cash flow should offset, in whole or in part, the change in the fair value or cash flow of the hedged item.

OTHER INFORMATION

COMMITMENTS AND RISKS

For the production of yachts, in some cases, the Group uses bank or insurance sureties to guarantee the advances received from the shipowners relating to the sale contracts entered into.

RELATED PARTY TRANSACTIONS

Below is a list of the main Related Parties with which transactions took place in 2022 and the type of relationship:

List of related parties	Correlation relationship
GC HOLDING S.p.A.	62.68% PARENT COMPANY OF TISG
TISG Turkey YTAS	100% PARENT COMPANY OF TISG
PERINI NAVI USA Inc.	100% PARENT COMPANY OF TISG
GMC Architecture S.r.l. S.t.p.	GC HOLDING INVESTEE COMPANY
CELI S.r.l.	RELATED PARTY OF TISG
SANTA BARBARA S.r.l.	RELATED PARTY OF TISG

Transactions with related parties during the year at 31 December 2022 are shown below:

BALANCE SHEETS (thousands of Euro)	GC Holding	TISG Turkey YTAS	PERINI NAVI USA INC.	GMC ARCHITECTURE S.R.L. S.T.P.	CELI S.r.l.	SANTA BARBARA S.R.L.
SECURITY DEPOSITS		23				
FINANCIAL RECEIVABLES	67	133			3,803	
TRADE RECEIVABLES					549	4
TOTAL RECEIVABLES	67	156	0	0	4,352	4
FINANCIAL PAYABLES	0					
TRADE PAYABLES	37.5			10	111	-50
TOTAL PAYABLES	38	0	0	10	111	-50
INCOME STATEMENT (thousands of Euro)	GC Holding	TISG Turkey YTAS	PERINI NAVI USA INC.	GMC ARCHITECTURE S.R.L. S.T.P.	CELI S.r.l.	SANTA BARBARA S.R.L.
COSTS FOR PROCESSING		12,818			9,529	183
COSTS FOR CONSULTANCY				154		
COSTS FOR SERVICES						
INTEREST EXPENSE	46					
TOTAL COSTS	46	12,818	0	154	9,529	183
REVENUES FROM SALES		3,974			91	10
INTEREST INCOME					146	
TOTAL REVENUES	0	3,974	0	0	237	10

GC HOLDING S.p.A. : The principal payable to the parent company GC Holding S.p.a. was settled in July 2022, the interest accrued up to that date amounted to approximately 46 thousand for the year 2022.

TISG Turkey YTAS : TISG has commissioned TISG Turkey to build steel and aluminium hulls for yachts under construction. Specifically, the contract was commissioned for the construction of the hull and superstructure of the motor yacht 597 under the Admiral brand with a length of 100 meters.

For the purposes of approving the above-mentioned agreement, the prior reasoned opinion of the Related Party Transactions Committee was obtained, which highlighted the Group's interest in approving the transaction under analysis and the convenience and substantial correctness of the conditions under which it should be carried out

GMC ARCHITECTURE S.r.l. S.t.p. : TISG and GMC Architecture have signed a contract based on which GMC undertakes to provide assistance and stylistic consultancy for the fitting out of offices, fairs and, in general, to take care of the corporate image of TISG and develop projects for the design of the external profiles of yachts that the Group should produce for future potential customers.

CELI S.r.l. : On 24 June 2019, the Board of Directors of TISG resolved to transfer the business unit called "CELI", whose object is the design, manufacture and marketing of furniture and furnishings, to former subsidiary ATS Service S.r.l., later renamed CELI S.r.l.

Among the items transferred with the CELI Business Unit, TISG transferred to CELI Euro 13,534 thousand of overdue payables including: (a) tax payables due to the Revenue Agency for direct and indirect taxes and withholdings for Euro 9,385 thousand; (b) payables due to INPS for Euro 3,102 thousand; (c) payables due to INAIL for Euro 441 thousand; and (d) payables to local authorities for Euro 606 thousand.

The component referring to overdue payables to the Revenue Agency for Euro 8,982 thousand was the subject of a Tax Settlement between the Agency, CELI and TISG, as the subject jointly and severally liable. The settlement deed signed in October 2020 with the Revenue Agency reduced the amount to be paid to Euro 7,976 thousand.

The residual receivable at 31 December 2022 in the amount of Euro 3,803 thousand will be repaid by CELI to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per annum, starting from 30 June 2021 until 31 December 2030. CELI repaid the instalments according to the repayment plan on 31 December 2022.

On 28 June 2021, following the signing of the tax-social security settlements by CELI, Revenue Agency, INPS and INAL, the procedure for the homologation, by the Court of Massa, of the debt restructuring agreement proposed by CELI S.r.l. pursuant to Article 182-bis of the Italian Finance Law, was positively concluded. Therefore, the settlement agreements will not be subject to changes and no further amounts will be payable, either by TISG or by CELI S.r.l., with respect to those agreed in said agreements.

In addition to the above, CELI is one of the most important strategic suppliers of TISG, as it manufactures most of the furnishings, internal and external, of the Group's yachts under construction, in addition to producing the furniture of the TISG operating offices.

Santa Barbara: In 2022 TISG has carried out a supply of specialised technical services on behalf of Santa Barbara.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In 2022, no significant non-recurring transactions were carried out, as defined by Consob Communication no. DEM/6064293 of 28 July 2006, other than those described in the report on operations in the section significant events that occurred in 2022.

TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In 2022, the Group did not carry out any significant atypical and/or unusual transactions, as defined by Consob Communications no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006, other than those described in the explanatory notes and in the report on operations.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD

On this point, please refer to the interim report on operations for any significant events occurring after the end of the period.

EARNINGS PER SHARE

The calculation of earnings per share is based on the following data:

<i>In thousands of Euro</i>	31/12/2022	31/12/2021
Net result	24,046.32	16,321.90
Profit attributable to ordinary shares	24,046.32	16,321.90
Average number of ordinary shares in circulation	53,000	53,000
Earnings per ordinary share	0.45	0.31
Adjusted average number of ordinary shares	53,000	53,000
Diluted earnings per ordinary share	0.45	0.31

AUTHORISATION TO PUBLISH

This document was published on 5 April 2023 upon authorisation of the Chairman and Chief Executive Officer.

DIRECTORS AND AUDITORS' REMUNERATION

The total remuneration due for the year 2022 to the Directors and Statutory Auditors of TISG S.p.A., for the performance of these functions in the Group, amounts to Euro 813 thousand for the Directors and Euro 31 thousand for the Statutory Auditors. For a complete and detailed description of the remuneration paid to Directors, reference should be made to the Remuneration Report, available at the Group's registered office and on the website of the Group.

SUMMARY TABLE OF FEES TO THE AUDITING COMPANY AND OTHER ENTITIES BELONGING TO ITS NETWORK

Pursuant to Article 149-duodecies of the Issuers' Regulation, it should be noted that the total fees due to BDO Italia S.p.A. and the BDO network for the audit of the 2022 Annual Financial Report are summarised in the table below:

<i>in thousands of Euro</i>	31/12/2022
Fees for the audit	49
TOTAL	49

Certification by the Manager in charge of preparing the corporate accounting documents

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED 1.

1. The undersigned Giovanni Costantino (Chief Executive Officer) and Marco Carniani (Manager responsible for preparing the financial reports) of The Italian Sea Group S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, certify that:

- a) the financial statements have been drawn up in a manner consistent with the administrative/accounting system and with the Group Structure;
- b) their adequacy has been verified;
- c) the administrative and accounting procedures for the preparation of the consolidated financial statements were duly applied during the period 1 January 2022 - 31 December 2022 to which the financial statements refer.

2. In this regard, no significant aspects emerged.

3. It is also certified that the consolidated financial statements at 31 December 2022:

- a) correspond to the figures of the accounting books and records;
- b) are prepared in accordance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002;
- c) provide a true and fair view of the equity, economic and financial situation of the issuer and of the group of companies included in the consolidation.

Date 21 March 2023

PROPOSED RESOLUTION

Dear Shareholders

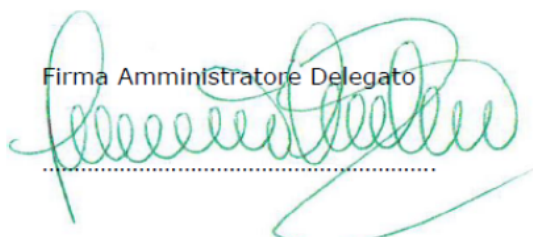
We propose to allocate the net profit for the year 2022, totalling Euro 24,427 thousand (versus Euro 24,046 thousand for the consolidated financial statements), as follows:

- distribute a dividend to the Shareholders, for a total of Euro 14,427 thousand;
- increase retained earnings for Euro 9,819 thousand;

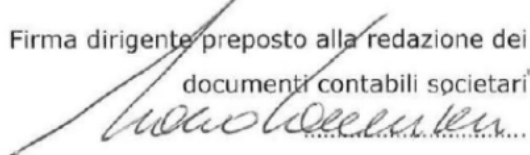
Lastly, we invite you to approve the Annual Financial Statements at 31 December 2022 as well as the proposed allocation of the net profit for the year as indicated above.

Marina di Carrara, 21 March 2023

Firma Amministratore Delegato



Firma dirigente preposto alla redazione dei
documenti contabili societari



This document is an English translation from Italian. The Italian original shall prevail in case of differences in interpretation and/or factual errors.

THE ITALIAN SEA GROUP

PICCHIOTTI
SINCE 1575

ADMIRAL

PERINI NAVI

TECNOMAR

NCA REFIT

ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2022 THE ITALIAN SEA GROUP S.P.A.



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THE ITALIAN SEA GROUP

PICCHIOTTI

ADMIRAL

PERINI NAVI

TECHSMAR

NCA REFIT



LETTER FROM FOUNDER & CEO GIOVANNI COSTANTINO

Dear Shareholders,

Today we review the results of an extremely complex year, which brought challenges and changes not only to our Company, but to the entire world.

The completion of the acquisition of Perini Navi, the expansion of production capacity, the integration of new product lines and new exciting projects make us a completely different company from the one we listed on the Stock Exchange less than two years ago.

In particular, in 2022 we completed the acquisition of Perini Navi and integrated the related assets. The Perini brand, iconic in the sailing world for its technical and stylistic innovation, already accounts for 14% of our order book just one year after the acquisition, and we expect a further boost in demand following the presentation of the new fleet, which we have entirely redesigned and innovated according to our aesthetic and research standards.

Currently, we have four Perini Navi sailing yachts under construction, including **Art Explora**, the largest sailing catamaran in the world, a project of extreme design, aesthetic and cultural value.

Another important asset of the acquisition was the Picchiotti brand, which complements our product range. Founded in Limite sull'Arno in 1575, Picchiotti is perhaps the oldest brand in the nautical world, and an expression of extreme class and timeless elegance. To honour this centuries-old history, we decided to create a new product line, consistent with the characteristics of the brand: the *Picchiotti Gentleman*, designed by the extraordinary architect Luca Dini and inspired by the American yachts of the 1960s.

The *semi-custom* project covers a size range from 24 meters to 55 meters and is experiencing great commercial success, particularly in North America.

Such an expansion of the product lines was also made possible by the increase in production capacity: in fact, we are completing the important investment plans "TISG 4.0" and "TISG 4.1" on the Marina di Carrara shipyard and completed small recovery interventions on the La Spezia and Viareggio sites integrated with the acquisition.

With the acquisition of TISG Turkey, we have also internalised a very important part of our production process, facilitating the flow of investments to Turkish facilities and intensifying control over the hull and superstructure metal carpentry phase.

Our commitment to sustainability in every segment and area of the company continues, through the energy efficiency of our production sites, attention to the emissions from our products, a strong focus on the well-being and training of our employees and support to the local communities and to the companies of our production chain.

Despite the important changes and the delicate macroeconomic and geopolitical context, we managed once again to conclude the year with flying colours, meeting and exceeding all market expectations, having made many sacrifices but with a great deal of determination, without losing sight of our values and a consistent corporate vision.

The results as at 31 December 2022 place us at the top of the Guidance communicated to the market at the beginning of the year, with Total Revenues of Euro 295 million and EBITDA of Euro 47 million, almost doubled compared to the previous year. In particular, the EBITDA Margin of 15.9% positions us beyond our expectations, confirming the soundness of our strategy and the profitability of our business model.

Extremely significant is the **Order Book** figure, which exceeded **Euro 1 billion** and strengthens our positioning as the first shipyard in Italy and fourth in the world for

yachts over 50 meters, with deliveries scheduled until 2027.

The constant recognition for our brands and strategic partnerships with leading yachting brokers have enabled us to reach an increasingly global customer base, with a particular boost in demand from North America, the Middle East and Asia.

Our prestigious partnerships in the luxury world further strengthen our positioning as a consolidated international *luxury brand*.

The *Tecnomar for Lamborghini 63* project continues to be a reason for great satisfaction, pushing us into parts of the world where we had great room for growth, such as Australia and the Middle East.

In February 2023, we also unveiled the first mega-yacht designed entirely by the skilful hand of master Giorgio Armani with an exciting and immersive event, the result of a true union between two excellences of the fashion and nautical worlds.

All of this prompted the need for us to revitalise our equity story and, at the beginning of this year, we met with you to show you a completely different company from the one we presented during our Roadshow in 2021.

In a nutshell, I cannot but be satisfied with all that we have managed to achieve over

the past twelve challenging months, a journey filled with constant collaboration and attention.

My gratitude goes out to the Chairman, Top Management, General and Functional Managers, Executives, Middle Managers, and long-standing consultants of our company: a team featuring huge professionalism that has accompanied me for more than ten years with passion and tenacity, believing in the challenges faced and in the desire for innovation, brilliantly overcoming any adversity, even in the most complex moments.

I would like to thank the technicians, designers, specialists, creatives, administrators, and all employees in all our offices, from the Headquarters in Marina di Carrara through Viareggio, La Spezia and Turkey for the constant commitment and skills they express on a daily basis.

Finally, I would like to thank our suppliers, that we now consider partners and that support us in every step of our growth.

A heartfelt thanks also goes to the Institutions, always present and willing to listen and evaluate our requests and needs.

I want to thank you Shareholders for continuing to believe in our “factory of emotions”: I am sure that, also in the future, we will be able to overcome the challenges and expectations of the market and continue to bring you great satisfaction.

And, last but not for importance, I want to thank from the bottom of my heart my dear friend Giuseppe Taranto, *the Manager* who has supported me in thirty years of professional but above all personal relationship, of deep respect and brotherhood.

We will forever cherish the memory of his elegant and humane approach, and we will continue to express those values of respect, responsibility and dedication that he deeply cared for.

Giovanni Costantino

Founder & CEO



THE ITALIAN SEA GROUP

SUMMARY DATA AND GENERAL INFORMATION

Name: The Italian Sea Group S.p.A. ("TISG S.p.A. ")

Registered office: Viale Cristoforo Colombo, 4-bis, 54033 Marina di Carrara (MS)

Tax Code: 00096320452

Number of registration in the Register of Companies of Carrara - Economic and

Administrative Index : no. 65218

CORPORATE AND CONTROL BODIES

BOARD OF DIRECTORS



FILIPPO MENCHELLI
Chairman of the BoD



GIOVANNI COSTANTINO
Chief Executive Officer



MARCO CARNIANI
Vice Chairman of the BoD



GIANMARIA COSTANTINO
Non-Executive Director



MASSIMO BIANCHI
Independent Board Director



ANTONELLA ALFONSI
Independent Board Director



FULVIA TESIO
Independent Board Director

CONTROL, RISK & SUSTAINABILITY AND RELATED PARTIES COMMITTEE

President of the CRS	Massimo Bianchi
Standing Member	Fulvia Tesio
Standing Member	Antonella Alfonsi

APPOINTMENT AND REMUNERATION COMMITTEE

President	Fulvia Tesio
Standing Member	Massimo Bianchi
Standing Member	Antonella Alfonsi

BOARD OF STATUTORY AUDITORS

President of the Board of Statutory Auditors	Felice Simbolo
Standing Auditor	Barbara Bortolotti
Standing Auditor	Mauro Borghesi
Alternate Auditor	Anna Lisa Naldi
Alternate Auditor	Luisa Bortolotti

SUPERVISORY BODY PURSUANT TO LEGISLATIVE DECREE 231/01

President of the Supervisory Body	Annalisa De Vivo
Member	Carlo De Luca
Member	Felice Simbolo

INDEPENDENT AUDITORS

BDO Italia S.p.A.

MANAGER RESPONSIBLE FOR PREPARING THE FINANCIAL REPORTS

Marco Carniani

COMPANY PROFILE

The Italian Sea Group S.p.A. based in Carrara (MS) is a global operator in the luxury yachting sector active in the construction and refit of sailing and motor yachts up to 140 metres with its Picchiotti, Admiral, Perini Navi, Tecnomar and NCA Refit brands.



SHIPBUILDING

Construction of new yachts through the Picchiotti, Admiral, Perini Navi and Tecnomar brands.



REFIT

Ordinary and extraordinary maintenance of sailing and motor yachts, built both by the group and by third-party manufacturers.

INFORMATION ABOUT THE COMPANY

The Italian Sea Group S.p.A. ("TISG") is one of the most renowned operators in the luxury yachting sector at international level, specialising in the design and construction of sailing and motor yachts from 17 meters to 100 meters and over. With the Picchiotti, Admiral, Perini Navi, and Tecnomar brands, the Company is first in Italy and fourth in the world for the construction of yachts over **50 meters**¹.

Over the last **13** years, TISG has further strengthened its positioning in the luxury world through important partnerships with two leading brands in the sector: **Automobili Lamborghini**, for the construction of limited-edition fast yachts - *Tecnomar for Lamborghini 63* - and **Giorgio Armani**, with whom the Company collaborates for the design of external lines and the furnishings of some yachts.

The Company has a business unit, **NCA Refit**, dedicated to the ordinary and extraordinary maintenance of sailing and motor yachts of any brand, with a particular focus on vessels between 60 and 140 meters.

TISG has always stood out for its ability to offer its Shipowners extensive experience in the luxury world, which translates into high quality workmanship, obsessive attention to detail, technological innovation and design. These elements, combined with passion, know-how, professionalism, taste for beauty and art, hospitality, and

attention to the customer, characterise the uniqueness of the Group's philosophy.

The Italian Sea Group's yachts, due to their size and type, are aimed at a clientele mainly composed of Ultra High Net Worth Individuals (UHNWI) and experienced Shipowners who already own other vessels.

PICCHIOTTI

The Picchiotti name has been inextricably linked to the history of Italian and Mediterranean seafaring since 1575.

This long tradition began with work boats, passing on to ocean-going sailing ships, then important military orders, leading to the pioneering years of the first pleasure yachts.

The largest ship ever built by the brand is the **103-meter Al Said of 1982**, which was created in Marina di Carrara, in the warehouses of The Italian Sea Group S.p.A.

With the Picchiotti brand, The Italian Sea Group developed, together with the **Luca Dini Design & Architecture** firm, the semi-custom line "**Gentleman Picchiotti**", an entire fleet of motoryachts from 24 to 55 meters, inspired by the silhouette of the American yachts of the 1960s, offering timeless elegance and cutting-edge engineering solutions.

¹ Source: Global Order Book 2022

ADMIRAL

The first Admiral boat, an 18-metre wooden boat, was created in 1966. The first wooden 30-metre motor yacht was launched in the mid-1970s; it was very rare and prestigious for that period. At the beginning of the 1980s, the first aluminium and steel hulls were built.

The product range that Admiral offers to the market today includes super yachts, mega yachts and giga yachts characterised by elegance, timeless style and total customisation.

Admiral, *the flagship brand* of The Italian Sea Group, has delivered 148 yachts to date.

PERINI NAVI

Perini Navi was founded in 1983, when Fabio Perini launched the prototype of a sailing yacht that could be steered with a smaller crew than the standard of the time, thanks to the invention of an automatic sail furling system.

Over the year, the founder's vision achieved great success thus making the brand a true icon of the nautical industry, with considerable presence in the United States, in particular.

The Perini Navi fleet boasts 60 sailing yachts among the most admired in the world; one of them is the legendary The Maltese Falcon, an 88-meter clipper that marked a revolution in sailing technology, introducing the world to the sail system now known as the Falcon Rig.

TECNOMAR

Present on the market since 1987, Tecnomar is a brand specialised in the construction of fast motor yachts up to 50 meters.

The brand's main characteristics include innovative design, modern lines, sportiness and high performance; each model is a design challenge that balances the elegance of the best Italian nautical tradition and the use of innovative technologies and materials.

To date, Tecnomar has delivered **294 yachts**.

BRIEF HISTORY

The history of The Italian Sea Group began in 2009, when **GC Holding S.p.A.**, a company owned by the entrepreneur Giovanni Costantino, acquired 100% of **Tecnomar S.p.A.**

Despite the critical phase experienced by the market, made worse by a persistent credit restriction and the continuous financial defaults of shipowners, which flooded the market of used yachts, the Company acquired the **Admiral** brand in November 2011, further expanding its range. The rapidly growing number of contracts and the increase in the size of yachts delivered led to the need to invest in a large production site with direct access to the sea.

In 2012, **GC Holding S.p.A.** acquired 100% of **The Italian Sea Group S.p.A.**, which built commercial and cruise ships within the Marina di Carrara shipyard.

The shipyard in Marina di Carrara, which today is the home of TISG's headquarters, was established in **1942** and was equipped with modern and advanced systems for the time, enabling it to produce medium-tonnage ships even then.

During the 1950s and 1960s, development in equipment allowed the shipyard to build ever larger constructions. In 1973 the structure was further expanded with the construction of a basin of 200 metres in length and 35 metres in width.

The acquisition allowed the employment levels to be maintained and the relaunch of a company in crisis, but with a recent past as a leading player in the large shipbuilding industry, through the expansion of production capacity, and retaining valuable know-how specialising in the construction of large ships.

Significant investments have been made over time, such as the expansion and complete renovation of the registered office of the Company, the organisation of areas dedicated to new productions, the construction of a steel plant, an upholstery fitting studio and the expansion of the areas dedicated to refit activities started in 2015.

In 2020, the Board of Directors of TISG approved an investment plan ("**TISG 4.0**") for approximately Euro 40 million, with the aim of further increasing the production capacity of the shipyard.

To date, the Marina di Carrara office covers an area of approximately 120,000 square meters and boasts an absolutely strategic position, especially for **NCA Refit**.

Overlooking the Mediterranean, at a short distance from famous Italian tourist and recreational destinations - and consequently a privileged stopover for yachts sailing in this sea - the shipyard is equipped with state-of-the-art technical facilities and recreational spaces for crews that, combined with the team's expertise and the quality of its services, allow the Group to be an important reference point for Shipowners from all over the world.

The headquarters boast a state-of-the-art production site equipped with **two dry docks** of 200 metres and 147 metres respectively, 11 separate production areas,

a total lifting capacity of 1,000 tonnes and 3,300 tonnes of floating barge, which is enhanced and restructured for launching yachts and mega-yachts up to 100 metres.

The Board of Directors of the Company resolved on a further investment plan on 4 November 2021, called "TISG 4.1", worth Euro 14 million, which will be completed by the year 2022.

On **22 December 2021** TISG, through its wholly owned subsidiary, **New Sail S.r.l.** (merged by incorporation on **10 June 2022**), was awarded the auction called by the Court of Lucca for the bankruptcy of Perini Navi S.p.A., for a total price of **Euro 80 million**.

The business complex includes the industrial and real estate assets of the shipyards in Viareggio and La Spezia, the real estate assets of Pisa, a ship under construction, trademarks and patents, the shareholding (100%) in **Perini Navi U.S.A. Inc.** and the existing legal relationships with employees and third parties.

In **August 2022**, The Italian Sea Group S.p.A. completed the acquisition of 100% of the shares of **TISG Turkey Yat Tersanecilik Anonim Sirketi ("TISG Turkey")** from GC Holding S.p.A. for a value of Euro 150,000.

This transaction allowed the company to consolidate the entire production process, ensuring even more integrated operations management, favouring direct investment strategies from TISG to TISG Turkey.

SHAREHOLDING STRUCTURE

On 3 June 2021, the offer for the sale and subscription of the Parent Company's ordinary shares for the purpose of listing on the Mercato Telematico Azionario ("MTA"), organised and managed by Borsa Italiana S.p.A., now called Euronext Milan, and 8 June 2021 represented the first day of trading of the Parent Company's shares.

The updated company structure is as follows:

SHAREHOLDERS	%
GC Holding	62.68%
Alychlo NV(*)	11.39%
Giorgio Armani S.p.A.	4.99%
Market	20.94%

(*) including the shares allocated directly and indirectly to Mr Marc Coucke

BUSINESS DEVELOPMENT

Over the years, TISG has strengthened its presence in both European and non-European international markets. During 2022, it also signed important partnership agreements with the most prestigious international brokers to consolidate its positioning in Asia and the Middle East.

The American market is also expanding strongly: only at the end of 2020, in fact, this area accounted for about 1% of the Order Book, while to date it represents over 30%.

In addition, the Company's commercial strategy envisages its presence at all the most important boat shows in the world, the opening of showrooms in prestigious locations - the first flagship store in Porto Cervo, Costa Smeralda, was opened in June - and an increasingly special relationship with end customers, who are hosted at the Marina di Carrara headquarters and have the opportunity to experience the quality of the product and the technical skills of the Team, as well as the attention to detail and the very high level of service.

"The Village" was created within the shipyard as a space dedicated to the well-being and entertainment of shipowners, crews and employees and is equipped with an elegant lounge bar, a gourmet restaurant, a gym, and a SPA.

In 2022 The Italian Sea Group S.p.A. reconfirmed its position in the Global Order Book, a ranking of global builders of yachts over 24 meters drawn up annually by Boat International, and was ranked fourth place

in the segment of yachts over 50 meters, a segment in which it came first in Italy, with an Order Book that exceeded **Euro 1 billion** as at 31 December 2022.

TISG is now permanently present in all strategic luxury yachting markets and sells its products to Ultra-High Net Worth Individuals from all over the world.

With regard to production capacity, with the completion of the acquisition of the Perini Navi S.p.A. business complex, the Company acquired the La Spezia and Viareggio shipyards. The **"TISG 4.0"** and **"TISG 4.1"** investment plans are being completed, and they respectively envisaged: (i) a new warehouse, a new dry-dock and coverage of the original basin; (ii) the expansion on the church quay, the relocation of Lamborghini production to La Spezia and the construction of an additional warehouse.

In addition to this production capacity, there are also facilities in Turkey, where TISG builds hulls and superstructures through a network of specialised partners operating on around five shipyards.

PRESENCE ON FINANCIAL MARKET'S

THE TISG SHARE

The Italian Sea Group S.p.A. share has been listed on "Euronext Milan" managed by Borsa Italiana since 8 June 2021, with a placement price of **Euro 4.90**.

The share capital is **Euro 26,500,000**.

Intermonte acts as a **Specialist** for the Company.

The following are the stock exchange codes relating to the TISG share:

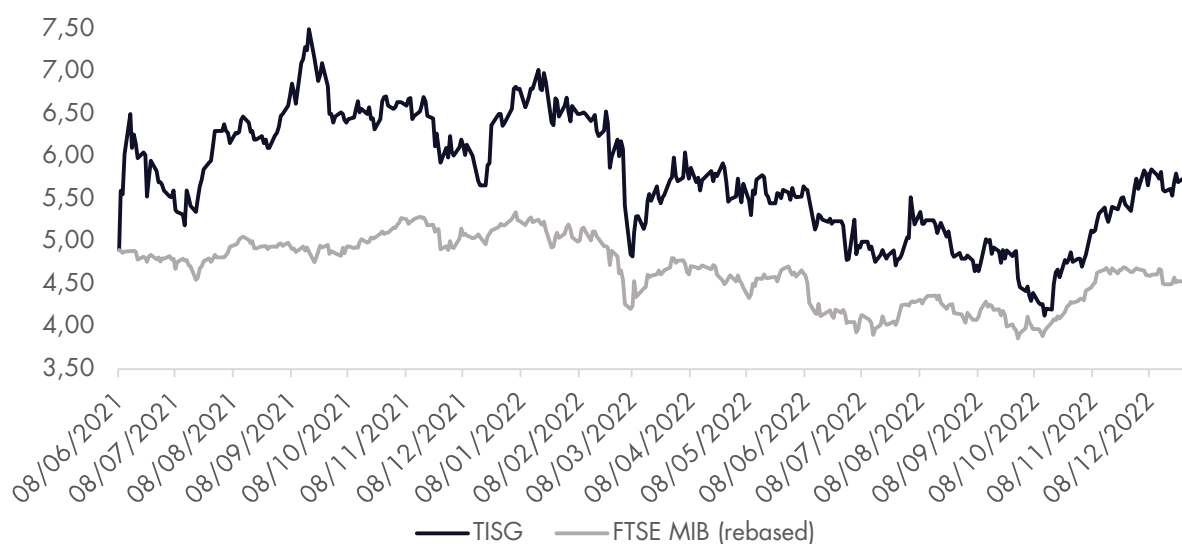
Alphanumeric code: TISG

Bloomberg: TISG:IM

Reuters: TISG.MI

The Company is also present on the following stock market indices: FTSE All-Share, FTSE All-Share Capped, FTSE Italia Small Cap and Italy MSCI Micro Cap Index.

Price trend of the share from 8 June 2021 to 31 December 2022



At the end of 2022, the share price of The Italian Sea Group rose by +15.7% from the placement price (Euro 4.90), despite the significant impact suffered in March and April 2022 due to the challenging macroeconomic and geopolitical context, closing the last trading session of the year at Euro 5.67.

In comparison, the FTSE MIB index of Borsa Italiana fell by -8.1% in the same period.

INVESTOR RELATIONS

Analyst Coverage

The security is currently hedged by **three financial brokers** (Intermonte, Berenberg, and MidCap), with a unanimous “**BUY**” recommendation and an **Average Target Price** of Euro **10.67** in **February 2023**, following the Company’s first **Capital Markets Day (24 January 2023)**, which illustrated an update of the strategy and the economic-financial outlook for 2023 and 2024.

Broker	Analyst	Recommendation	Target Price (Eu)	Last update
Intermonte	Francesco Brilli	BUY	11.00	25/01/2023
Berenberg	Remi Grenu	BUY	12.00	25/01/2023
Midcap	Filippo Migliorisi	BUY	9.00	25/01/2023

Meetings with Investors and the financial community

Throughout 2022, the Company continued to invest in financial communication and opportunities to meet - both in virtual and physical format - with shareholders, potential investors and with the financial community in general, particularly in the second half of the year.

TISG held **four Conference Calls** to present its financial results on the following occasions:

- **24 March 2022** - Presentation of the Draft Financial Statements as at 31 December 2021

- **11 May 2022** - Presentation of results as at 31 March 2022
- **13 September 2022** - Presentation of half-yearly results as at 30 June 2022
- **10 November 2022** - Presentation of results as at 30 September 2022

With a view to constant dialogue with all shareholders in general, the Company also participated in a series of conferences, organised in collaboration with its financial brokers:

- **8 February 2022** - Frankfurt MidCap Conference | Intermonte
- **14 March 2022** - EU Opportunities Conference | Berenberg
- **12 May 2022** - TP ICAP Paris Conference | MidCap
- **23 - 25 May 2022** - US Conference | Berenberg
- **14 September 2022** - Mediobanca Branded Goods Conference | Mediobanca
- **29 - 30 September 2022** - Excellence of Made in Italy | Intermonte
- **17 November 2022** - MidCap Conference Madrid | Intermonte

The Company met a total of over **120 individual institutional investors** through conferences, dedicated roadshows, on-site visits and one-to-one meetings, face-to-face or virtual.

Financial Calendar 2023

Below is the calendar of corporate events in 2023.

DATE	EVENT
Tuesday 24 January 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve the preliminary data at 31 December 2022 ; Capital Markets Day - update of the strategy and economic-financial outlook.
Tuesday 21 March 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve the draft financial statements at 31 December 2022 .
Thursday 27 April 2023	<ul style="list-style-type: none"> Shareholders' Meeting for the approval of the Financial Statements at 31 December 2022.
Wednesday 10 May 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve selected information indicative of business performance for the first quarter of 2023 (*) (Revenues; EBITDA; Backlog; Net Financial Position) and related press release containing quarterly information. <p><i>(*) Information not subject to even limited audit.</i></p>
Thursday 7 September 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve the half-yearly financial report at 30 June 2023 .
Tuesday, 7 November 2023	<ul style="list-style-type: none"> Meeting of the Board of Directors to approve selected information indicative of business performance for the third quarter of 2023 (*) (Revenues; EBITDA; Backlog; Net Financial Position) and related press release containing quarterly information. <p><i>(*) Information not subject to even limited audit.</i></p>

MARKET OUTLOOK

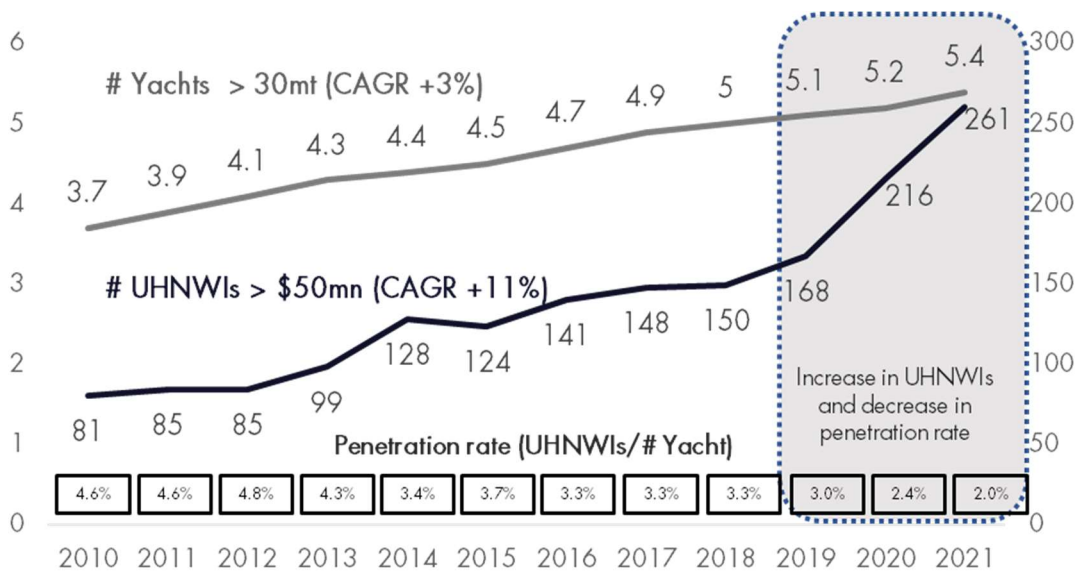
SHIPBUILDING DIVISION

Customer base and market penetration

The Italian Sea Group operates in an extremely resilient market segment, with a customer base represented by **Ultra-High Net Worth Individuals (UHNWI)**, i.e. individuals with assets equal to or greater than **USD 50 million**.

This category, almost immune to the shocks that are due to unfavourable macroeconomic or geopolitical conditions, has undergone a strong global increase in recent years, growing with a **CAGR of 11%** from 2010 to 2021 and with an **8%** growth expected from 2021 to 2026 (+118k of people globally). This growth will mainly affect the regions of APAC (CAGR 21-26E +12%) and North America (CAGR 21-26E +6%)².

It is important to note that, despite the strong growth in the potential customer base, the number of yachts over 30 meters from 2010 to 2021 grew with a CAGR of 3%³, resulting in a penetration rate of **2%**. This figure poses an expansion opportunity for TISG, given by a customer segment that, though featuring little penetration, is extremely resilient.



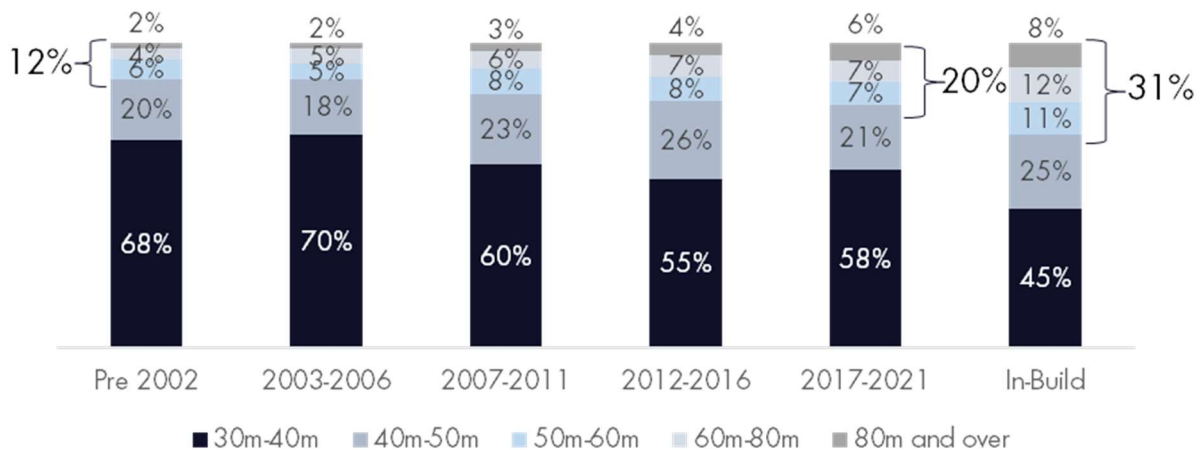
² Source: Credit Suisse, Global Wealth Report 2022.

³ Source: SuperYacht Times, The State of Yachting 2022.

Increased demand in large sizes

The Italian Sea Group operates mainly in the large-scale yacht segment; in fact, according to Boat International's annual ranking, the **Global Order Book**, TISG is once again the **first Italian shipyard** and the **fourth in the world** for the construction of yachts over 50 meters in length, which as at 31 December 2022 account for **85% of the Company's Order Book**.

The demand for large yachts has increased considerably in the last twenty years: in 2002, in fact, the category of yachts over 50 meters only accounted for 12% of the fleet under construction: in 2022 this percentage reached approximately 31%⁴.



This strong increase is due, on the one hand, to the rise in UHNWI, i.e. potential customers with spending power oriented towards large-sized yachts, and on the other to a growing new desire for exclusivity and comfort on the part of these wealthy individuals. In particular, after the pandemic, this category of customers felt the need to build real completely customised “travelling islands” for themselves and their families, where they can live life without restrictions and in total safety and *privacy*.

⁴ Source: SuperYacht Times, The State of Yachting 2022.

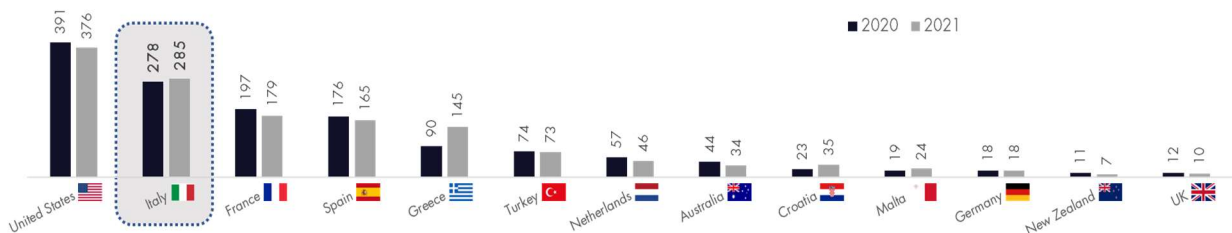
REFIT DIVISION

Refit represents an extremely anti-cyclical activity for The Italian Sea Group, as ordinary maintenance is in many cases mandatory to keep the yacht compliant with standards that change over the years. This activity also allows the Company to expand its customer base and stay up-to-date on the “state of the art” of the sector.

It is also an activity with very strong entry barriers, as it requires the right technical experience, significant investments in production capacity and equipment and a reputation built over time towards shipowners and crews.



In recent years, the number of Refit activities for yachts over 40 meters has increased exponentially, with a CAGR 17-21 of 16%,⁵ certainly due to the rising number of yachts at sea and the ageing of the global fleet.



It is important to highlight how, over the years, Italy has become the reference point for Refit in Europe, not only as the country with the largest number of dedicated *facilities*, but also in terms of the number of activities carried out, recording a considerable increase between 2020 and 2021 compared to other countries active in the sector. In fact, during 2021 and 2022, TISG completed a series of investments on its production capacity dedicated to Refit to accommodate the growth in demand, both at the Marina di Carrara site and at the La Spezia shipyard.

⁵ Source: SuperYacht Times, The State of Yachting 2022.

INVESTMENTS

The history of The Italian Sea Group is based on strategic acquisitions, relaunch of historical brands and significant investment strategies, in particular on the production capacity and on the efficiency of its structures in order to increase the offer of services and facilities available to customers, suppliers and employees, starting from the *Village*, inaugurated in Marina di Carrara in 2019.

Services

The *Village* is an area dedicated to Shipowners, employees, captains and crews and represents a strong competitive advantage for TISG compared to other shipyards that offer *refit* services in the Mediterranean, as an added value for captains and crews, the main decision-makers in the choice of the construction site where to carry out maintenance activities.

The structure, which is spread over two floors, includes: (i) a Gourmet Restaurant with Lounge Bar and relaxation area; (ii) a gym equipped with a dedicated personal trainer; (iii) and a wellness center and SPA with Turkish bath, saunas, emotional shower, whirlpool tub and bed with "Zero-Body" technology.

Internalisation

Operating according to a groundbreaking approach compared to the historical trends in the nautical sector, TISG was one of the first operators to make significant investments aimed at internalising some of the phases of the production chain with the highest added value, such as: (i) **Steel mill**, in-house workshop in which all the steel trimmings that will later be mounted on the yachts under construction are made; (ii) **Upholstery**, a division that produces all the leather and woven upholstery and all the upholstery details of the projects in progress; (iii) **Outfitting structures**, dedicated to the assembly of technical elements on board.

Insourcing these activities allows the Company to have more control over these activities and promotes significant cost containment while ensuring the high quality standards required by Shipowners and their Surveyors.

In addition, The Italian Sea Group has an internal **Style Center**, composed of about 30 young architects, who work together with customers who request it in order to develop the design of the internal and external lines of the yachts, promptly responding to their every need.

Production Capacity

Since 2018, The Italian Sea Group has invested around **Euro 68 million** in expanding production capacity within its shipyards: to date, the Company operates on 3 shipyards in Italy (Marina di Carrara, La Spezia and Viareggio) and on a series of structures in Turkey for the construction of the hull and superstructure.

Marina di Carrara

At the beginning of 2020, TISG approved an investment plan called “**TISG 4.0**”. The investment, aimed at strengthening the facilities in Marina di Carrara and ending in the first half of 2023, included the following interventions:

- (i) Construction of a **new warehouse** capable of accommodating up to **two yachts** of about 80 meters under construction;
- (ii) Construction of a **new dry-dock** with a maximum capacity of **four yachts between 60 and 70 meters** and **vessels up to 140 meters** ;
- (iii) The construction of an **additional warehouse to cover the original dry-dock** , capable of accommodating up to **two yachts** of approx. **90 meters** or a **100-meter yacht** under construction.

Subsequently, at the end of 2021, the Company approved an additional investment plan, called “**TISG 4.1**” to further increase production spaces in the Headquarters through:

- (i) Expansion on the **Church Quay** to increase the spaces dedicated to refit activities, creating new mooring spaces for large yachts;
- (ii) A **new warehouse** next to the old dry-dock, capable of accommodating up to **four yachts between 75 and 80 meters** under construction;
- (iii) **New spaces** in the old Lamborghini warehouse, dedicated to inventories and services for new buildings.

The “TISG 4.1” investment plan will end in the first half of 2023.

La Spezia and Viareggio

The acquisition of Perini Navi has guaranteed TISG to further increase its production capacity through the integration of the two shipyards of La Spezia and Viareggio, which represent approximately 50% of the acquisition price of **Euro 80 million**.

The facilities, which were already in optimal conditions for production since the Company's entry in February 2022, underwent only a few *fine-tuning* interventions during the year, becoming operational immediately.

Most of the investments were made at the La Spezia site, the larger of the two. In particular, the entire Lamborghini production, together with a substantial part of the refit division, were transferred to La Spezia by the end of the year.

TISG Turkey

Through TISG Turkey, the Company operates on five shipyards in Turkey, in the areas of Istanbul and Antalya, with a network of partners that handle the construction of the hulls and superstructures of the orders in progress.

TISG is responsible for the rental of two of the five shipyards on which it operates: Herculik and Naveks, both in the Yalova district (near Istanbul), which cover a total area of over 30,000 square meters.

AWARDS AND ACKNOWLEDGEMENTS

During 2022, The Italian Sea Group received numerous awards, not only for the quality, design and innovation of its yachts but also for the Company's financial performance.

Among the main ones, the following are worth highlighting:

BOAT Boat International 2022
World Superyacht Awards
Voyager's Award - Perini Navi S/Y
Seahawk

 Design et Al. 2022
International Yacht &
Aviation Awards
Motor-yacht Under 25 meters - M/Y
Tecnomar for Lamborghini 63

Alychlo Alychlo Awards
Best EBITDA Growth (€)

In 2023, the 75-meter M/Y Admiral Kenshō was awarded the “**Best interior design, motor yachts**” award in the “**500GT and above**” category at the prestigious **2023 Boat International Design & Innovation Awards** that celebrate architecture, style, design and innovation technology in the nautical sector.

TISG has also continued to develop and improve its quality control systems for its products, through its internal **Quality Department** and with the contribution of external Surveyors.

Efforts in this regard have allowed the Company to continue to further reduce the number of *remarks* in ship deliveries: in fact, in 2022, The Italian Sea Group delivered M/Y *Viktoriia Tecnomar EVO 120* with a total of **zero remarks**, an extremely difficult objective for the sector.

SUSTAINABILITY ROADMAP

The Italian Sea Group's ESG strategy embraces every area of the Company and is aligned with best practices with the aim of creating long-term value for its stakeholders and representing a point of reference in the nautical sector.

To date, the Company has achieved numerous results in all areas (Environmental, Social and Governance) and over time has devised an ambitious and challenging sustainability strategy.

In terms of **production sites**, the Company recently completed an investment on the Marina di Carrara shipyard with the construction of a photovoltaic system on top of the warehouses, able to cover 25% of the plant's consumption with a saving of 1,208 tonnes of CO₂ on a yearly basis. This project will then also be implemented at the La Spezia shipyard.

In addition, TISG purchases 100% of its residual electricity from renewable sources.

With regard to its **products**, the Company places a great deal of emphasis on research and development of projects that can represent benchmarks for the sector.

Already in 2016, TISG had delivered **Quinta Essentia**, a 55-meter mega-yacht that was then the largest hybrid yacht in the world. In 2022, The Italian Sea Group delivered M/Y Admiral Kensho, a 75-meter

yacht equipped with a “**Serial Hybrid**” propulsion system that optimises energy consumption and reduces emissions, vibrations and noise pollution.

The Italian Sea Group pays close attention to the well-being of its employees and to building solid internal know-how through dedicated training courses.

In particular, with regard to employee **safety**, the Company is **ISO 45001 certified (Occupational Health and Safety Management System)** and has made available to all employees a life insurance that covers accidents serious or fatal.

As regards **training**, TISG collaborates with the Universities of Trieste, Genoa and La Spezia to offer refresher courses to its employees and to final-year university students.

In this way, the Company not only fosters the development of the technical skills of internal resources, but prepares the ground for the future workforce, offering students better internship and apprenticeship opportunities.

TISG's commitment also extends outside the company, involving local businesses and suppliers that are an integral part of the nautical production chain.

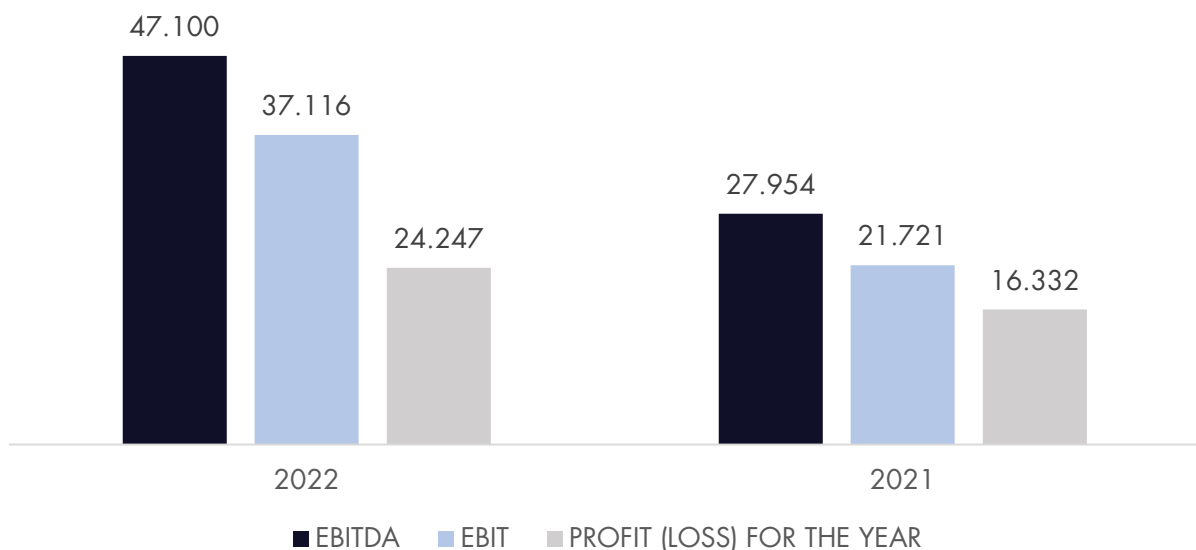
The Company also makes the reverse factoring tool available to suppliers to give them the opportunity to finance their working capital thanks to simple and immediate access to liquidity.

RECLASSIFIED INCOME STATEMENT

<i>in thousands of Euro</i>	31/12/2022	31/12/2021
Operating revenues	291,510	186,054
Other revenues and income	7,266	4,226
Commissions	(4,093)	(4,724)
Total Revenues	294,684	185,556
Costs for raw materials	(68,133)	(46,684)
Cost for outsourced work	(117,942)	(71,278)
Technical services and consultancy	(16,693)	(4,323)
Other costs for services	(12,778)	(10,695)
Personnel costs	(29,562)	(22,117)
Other operating costs	(2,477)	(2,505)
EBITDA	47,100	27,954
<i>Percentage of total revenues</i>	<i>16%</i>	<i>15.1%</i>
Amortisation, depreciation, write-downs and capital losses	(9,985)	(6,233)
EBIT	37,116	21,721
<i>Percentage of total revenues</i>	<i>12.6%</i>	<i>11.7%</i>
Net financial charges	(3,781)	(3,078)
Income from extraordinary charges	(3,719)	(481)
EBT	29,615	18,162
Taxes for the period	(5,368)	(1,831)
PROFIT (LOSS) FOR THE YEAR	24,247	16,332
<i>Percentage of total revenues</i>	<i>8.2%</i>	<i>8.8%</i>

TREND OF ECONOMIC INDICATORS 2022 - 2021

(in thousands of Euro)



OPERATING REVENUES

The item **Operating revenues** increased by **56.7%**, amounting to **Euro 291,510 thousand** as at 31 December 2022 compared to **Euro 186,054 thousand** in the previous year.

This item is divided between the two divisions **Shipbuilding** and **Refit**.

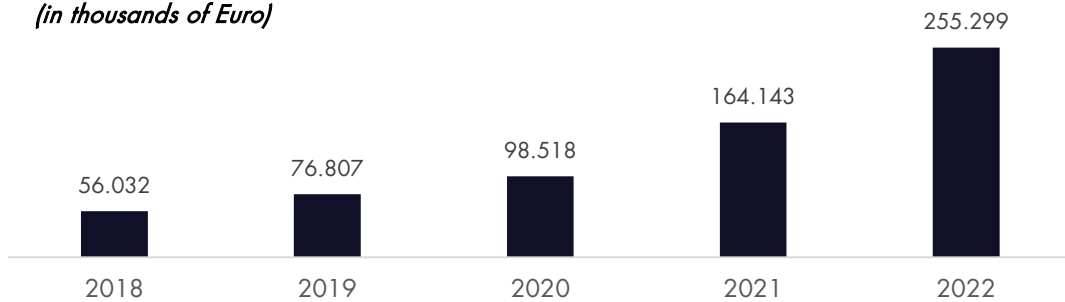
SHIPBUILDING

The revenues of the **Shipbuilding** division amounted to a total of **Euro 255,299 thousand** as at 31 December 2022, up compared to **Euro 164,143 thousand** recorded in 2021.

Over the last four years, revenues linked to the sale and production of new yachts have grown with a **CAGR 18-22** of **46%**.

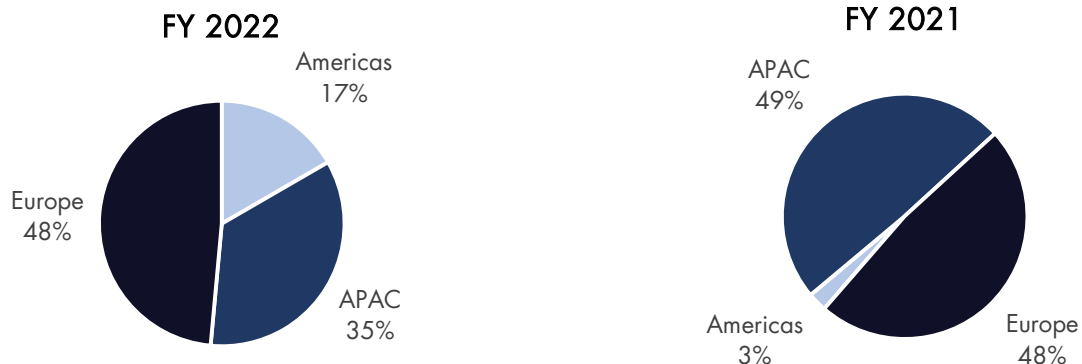
SHIPBUILDING REVENUES 18-22

(in thousands of Euro)

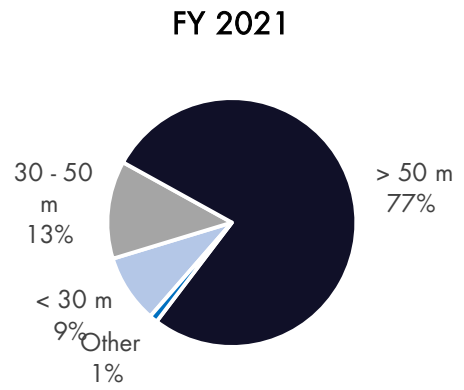
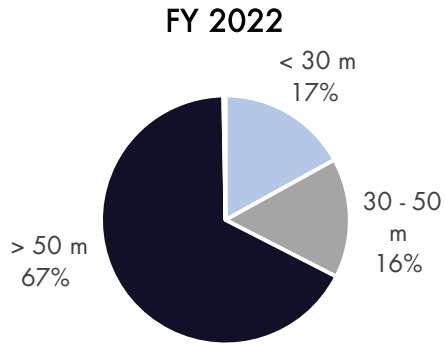


The breakdown of Shipbuilding revenues is as follows:

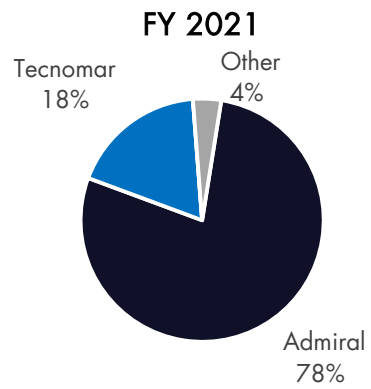
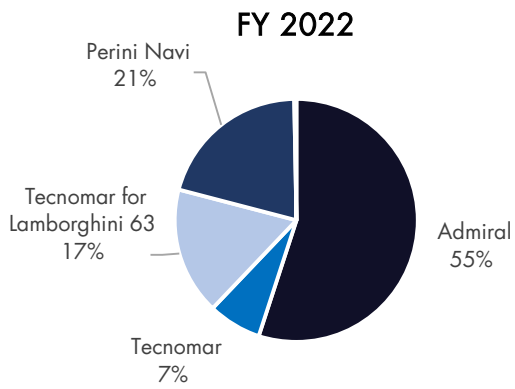
Breakdown by Geographical Area



Breakdown by Size



Breakdown by Brand

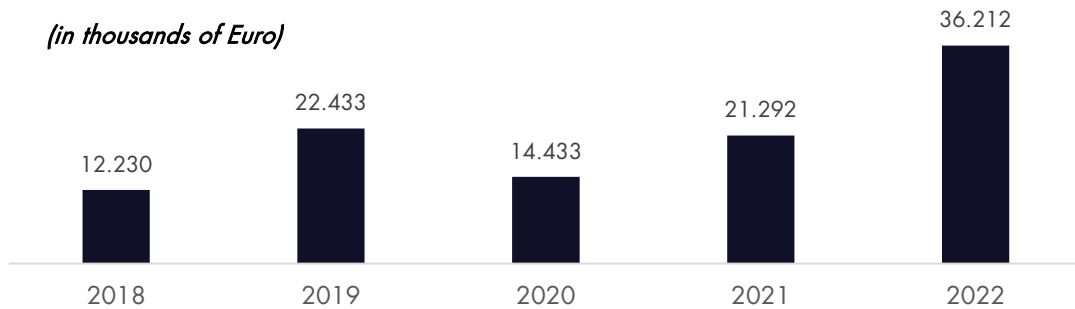


REFIT

Revenues of the **Refit** division amounted to a total of **Euro 36,212 thousand** as at 31 December 2022, up compared to **Euro 21,912 thousand** recorded in 2021.

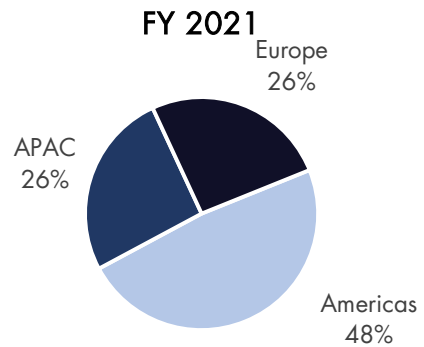
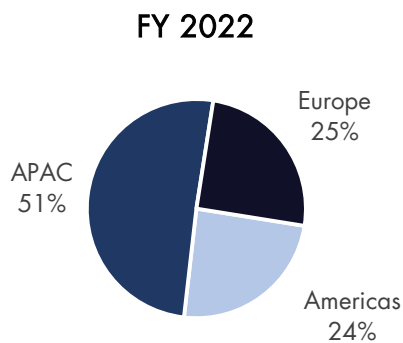
Over the last four years, revenues related to ordinary and extraordinary maintenance for yachts have grown with a **CAGR 18-22** of **31%**.

REFIT REVENUES 18-22

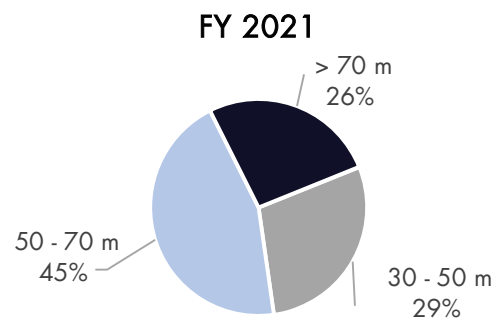
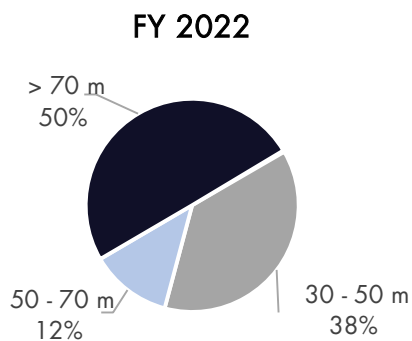


The breakdown of Refit revenues is as follows:

Breakdown by Geographical Area



Breakdown by Size

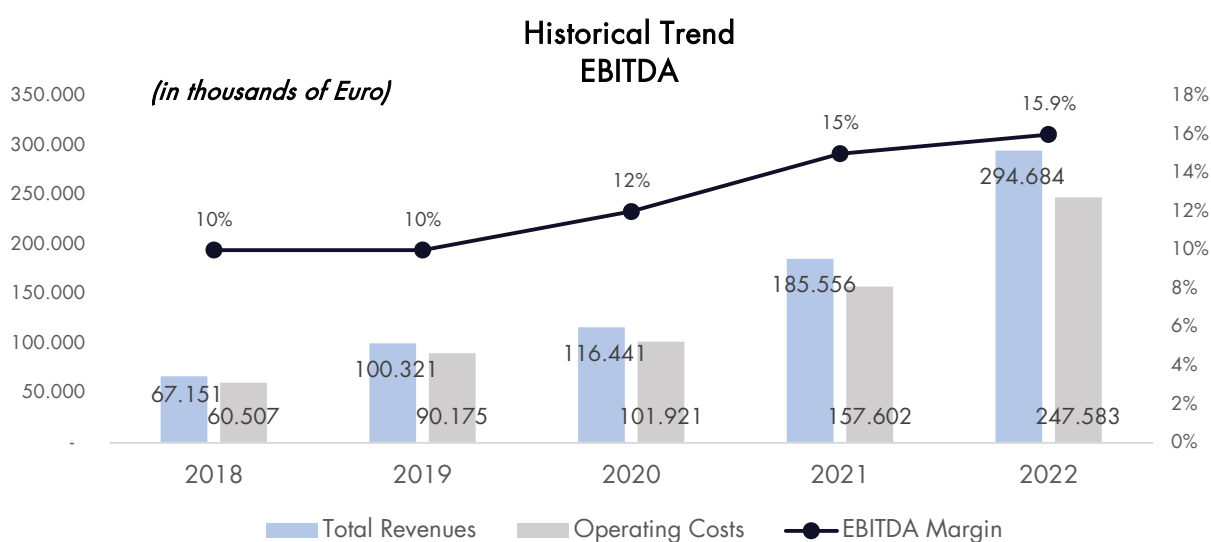


EBITDA

EBITDA as at 31 December 2022 was Euro **47,100 thousand**, up **68.4%** compared to EBITDA as at 31 December 2021 (equal to Euro **27,954 thousand**), with a margin on Total Revenues of **16%** (vs an EBITDA Margin of 15% at the end of the previous year).

The increase in operating margins over time is attributable to:

- Strong focus on the management of operating costs;
- Improved efficiency of production processes;
- Benefits deriving from the strategy of investments in production capacity with an optimal mix of synergies between Shipbuilding and Refit activities;
- Increase in product margins, due to a constant affirmation of the Company's brands towards shipowners and brokers all over the world;
- Economies of scale.



It is important to remember that, in accordance with its sales strategy, the Company does not accept trade-ins, thus eliminating inventory risk and risks deriving from the sale of used yachts.

EBITDA corresponds to the net result adjusted by financial management, taxes, amortisation of fixed assets as well as non-recurring components. The EBITDA defined as so is the indicator used by the Company to monitor and assess its operating performance; since it is not defined as an accounting measure within the scope of International Accounting Standards, it should not be considered an alternative measure for assessing the performance of operating results.

Since the composition of EBITDA is not defined by the reference accounting standards, the calculation criterion applied by the Company may not be the same as the one adopted by other entities and therefore may not be comparable.

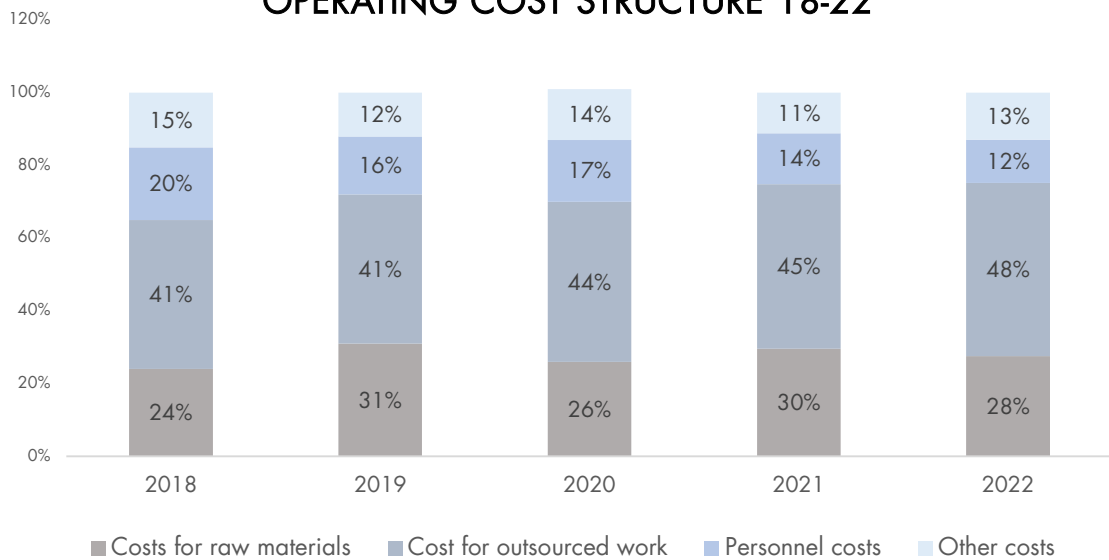
EBIT

EBIT as at 31 December 2022 amounted to **Euro 37,116 thousand** - an increase of **74.4%** compared to the end of the previous year of **Euro 21,271 thousand** - with an incidence on Total Revenues of **12.6%** against of amortisation, depreciation, write-downs, provisions, and capital losses which as at 31 December 2022 amounted to **Euro 9,985 thousand** .

OPERATING COSTS

The structure of **Operating Costs** is basically in line with that of the previous year with a lower incidence of personnel costs due to the extreme structural and operational efficiency of the organisational structure despite the fact that the number of employees is constantly increasing also thanks to the integration of employees from Perini Navi.

OPERATING COST STRUCTURE 18-22



BACKLOG

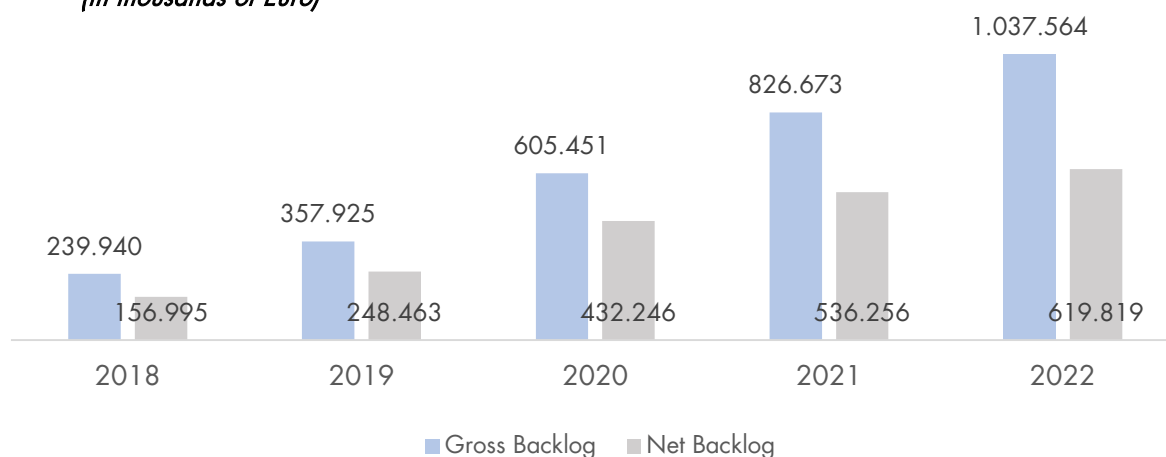
The development of TISG's business is linked to the visibility and quality of its **order book (Gross Backlog)** and the consequent **Net Backlog**, i.e., the value of contracts for existing orders net of the progress already paid by the customer.

As at **31 December 2022**, TISG's **Gross Backlog** (Shipbuilding and Refit) exceeded the threshold of **Euro 1 billion** and includes 18 mega and giga yachts and 13 Tecnomar for Lamborghini 63 under construction, or a total of 31 orders *in progress*, with deliveries planned until 2027.

From 2018 to 2022, TISG's order book grew with a **CAGR** of **44%**.

GROSS BACKLOG / NET BACKLOG 18-22

(in thousands of Euro)



<i>in thousands of Euro</i>	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022
Gross Backlog Shipbuilding	230,714	339,003	597,247	807,726	1,003,357
Gross Backlog Refit	9,226	18,922	8,204	18,948	34,207
Total Gross Backlog	239,940	357,925	605,451	826,673	1,037,564
Net Backlog Shipbuilding	150,386	242,410	428,892	526,639	605,832
Net Backlog Refit	6,609	6,053	3,354	9,617	13,987
Total Net Backlog	156,995	248,463	432,246	536,256	619,819

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

<i>in thousands of Euro</i>	31/12/2022	31/12/2021
ASSETS		
Intangible assets	35,715	4,418
Property, plant and equipment	135,216	75,233
Equity investments	489	53
Net deferred tax assets and liabilities	(894)	(1,178)
Other non-current assets and liabilities	6,944	4,589
Provisions for non-current risks and charges	(3,431)	(3,066)
Provision for employee benefits	(1,251)	(760)
Net fixed capital	172,788	79,289
Inventories and payments on account	3,573	1,250
Contract work in progress and advances from customers	32,667	24,992
Trade receivables	21,469	10,236
Trade payables	(78,770)	(57,146)
Other current assets and liabilities	(30,966)	(6,736)
Net working capital	(52,027)	(27,404)
Total ASSETS - NIC	120,761	51,884
LIABILITIES		
Share capital	(26,500)	(26,500)
Share premium reserve	(45,431)	(45,431)
Reserves and other retained earnings	(13,023)	(4,635)
Profit (loss) for the period	(24,247)	(16,332)
Shareholders' Equity	(109,202)	(92,898)
Net financial indebtedness	(11,560)	41,013
Total LIABILITIES	(120,761)	(51,884)

There was a clear increase in **Net fixed capital** as at 31 December 2022, more than doubling compared to 2021: this is due to the development of the Company's investment strategy, and in particular to the acquisition of the Perini Navi business complex, the development of the **TISG 4.0** and **TISG 4.1** investment plans at the Carrara site and the implementation of the **TISG 4.2** project at the La Spezia and Viareggio sites.

During 2022, the Company made investments of Euro 22,290 thousand.

The decrease in **Net Working Capital** is due in particular to the lower item other current assets and liabilities, which includes the payment of the deposits of the new contracts for the production of Tecnomar for Lamborghini branded yachts and an

increase in trade payables linked to the rising number of orders in progress. However, this value is mitigated by the recognition of the instalments paid by customers for the progress of the projects.

Shareholders' Equity The increase in shareholders' equity, as described in more detail in the explanatory notes, is mainly due to the net profit resulting from the financial statements as at 31 December 2022 for Euro 24,247 thousand, net of the dividend paid for Euro 9,800, following the resolution of the Ordinary Shareholders' Meeting that approved the Financial Statements as at 31 December 2021 on 29 April 2022.

NET FINANCIAL INDEBTEDNESS

The following table shows the Net Financial Indebtedness at 31 December 2022, which shows financial payables to: (i) banks; (ii) shareholders; (iii) other lenders, net of cash and cash equivalents:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021
A. Cash	81,128	85,605
B. Cash equivalents	0	0
C. Other current financial assets	0	0
D. Liquidity (A)+(B)+(C)	81,128	85,605
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(34)	(34)
F. Current portion of non-current financial debt	(14,163)	(7,574)
F.1 other current financial payables	(2,292)	(2,009)
G. Current financial indebtedness (E + F)	(16,490)	(9,616)
H. Net financial indebtedness (G-D)	64,639	75,988
I. Non-current bank debt (excluding the current portion of debt instruments)	(66,287)	(23,863)
J. Debt instruments	0	0
K. Trade and other non-current payables	(9,912)	(7,951)
K.1 Payables to other lenders	0	(3,161)
L. Non-current financial indebtedness (I+J+K)	(76,198)	(34,975)
M. Total financial indebtedness (H+L)	(11,560)	41,013

Net financial indebtedness, amounting to **Euro 11,560 thousand** as at 31 December 2022, against a positive Net Financial Position of Euro 41,013 thousand as at 31 December 2021, reflects the outlay in 2022 of **Euro 75 million** for the acquisition of the business complex Perini Navi, the investments made during the year and the payment of dividends of Euro 9.8 million.

According to IAS/IFRS accounting standards, the Net Financial Position includes the discounted value of the fees due to the Port Authorities for the state concessions of the Marina di Carrara, Viareggio, and La Spezia shipyards, which amounted to Euro 6.8 million as at 31 December 2022, to be paid based on the duration of the relevant concessions.

Finally, it should be noted that the calculation of the Net Financial Indebtedness includes the Company's tax payables, mainly related to the residual amount of the debt for the facilitated definition ter (see the section on related parties).

ALTERNATIVE PERFORMANCE INDICATORS ("NON-GAAP MEASURES")

The European Securities and Market Authority (ESMA) has published guidelines on Alternative Performance Indicators ("APIs") for listed issuers.

The APIs refer to measures used by management and investors to analyse the trends and performances of the Group and that derive directly from the financial statements even though they are not envisaged by IAS/IFRS. These measures, which have been used by the Group continuously and consistently for several financial years, are relevant to assist management and investors in analysing the Group's performance. Investors should not consider these IAPs as a replacement, but rather as additional information to the data included in the financial statements. It should be noted that the APIs defined as so may not be comparable to measures with a similar name used by other listed groups.

In order to facilitate understanding of the Group's economic and financial performance, the Directors have identified a number of alternative performance indicators ("**Alternative Performance Indicators** " or "**APIs**"). Moreover, these indicators represent the tools that help the directors to identify operational trends and make decisions about investments, resource allocation and other operational decisions.

For a correct interpretation of these APIs, the following should be noted:

- these indicators are derived exclusively from the Group's historical data which are extracted from the general and management accounts, and are not indicative of the Group's future performance. More specifically, they are represented, where applicable, in accordance with the recommendations set forth the document no. 1415 of 2015, drawn up by ESMA (as implemented by CONSOB Communication no. 0092543 of 3 December 2015) and in points 100 and 101 of ESMA Q&A 31-62-780 of 28 March 2018;
- APIs are not required by the International Financial Reporting Standards ("IFRS") and, although derived from the Group's financial statements, are not subject to auditing;

- the APIs should not be considered as a substitute for the indicators provided by the International Financial Reporting Standards (IFRS);
- these APIs must be read in conjunction with the Group's financial information inferred from its financial statements;
- the definitions of the indicators used by the Group, insofar as they do not originate from the reference accounting standards used in the preparation of the financial statements, may not be the same as those adopted by other groups and therefore comparable with them;
- the APIs used by the Group have been prepared with continuity and uniformity of definition and representation for all the periods for which financial information is included in this annual financial report.

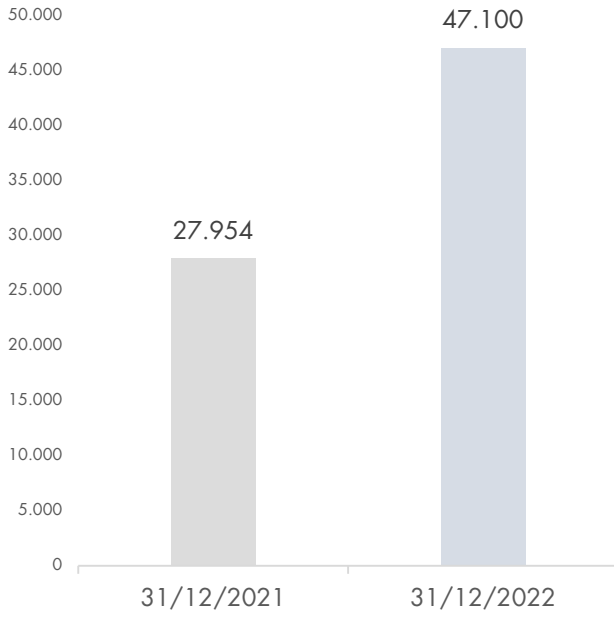
The components of each of these indicators are described below, as required by Consob Communication no. 0092543 of 3 December 2015 implementing the ESMA/2015/1415 guidelines on alternative performance indicators:

EBITDA	is equal to the result before taxes, before financial income and expenses, depreciation and amortisation, as reported in the financial statements, adjusted by the following elements: revenues from extraordinary activities; expenses from extraordinary activities; non-recurring provisions for risks (reclassified from Other Operating Costs to depreciation, amortisation, impairment losses and capital losses).
EBIT	is equal to EBITDA net of depreciation, amortisation, write-downs and capital losses.
EBT	is equal to EBIT excluding net financial expenses and extraordinary income.
NET INVESTED CAPITAL	equal to the total of net fixed assets and net working capital.

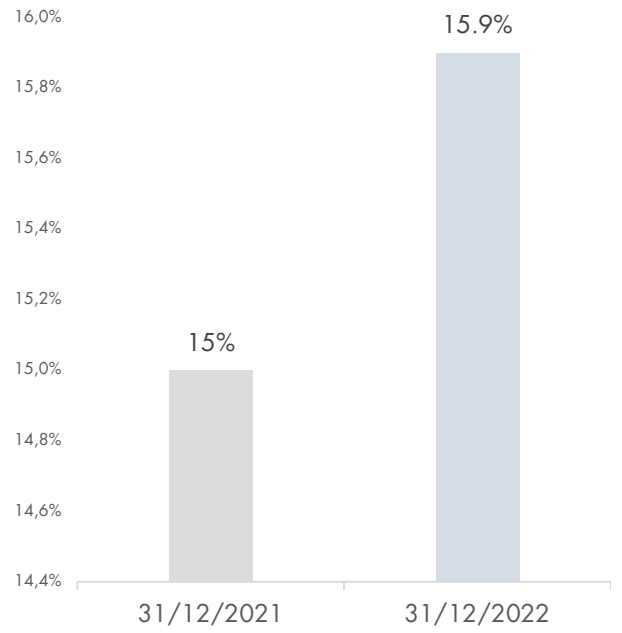
The **Net Financial Indebtedness** includes:

- Cash, including: cash and bank deposits, other cash and cash equivalents and securities held for trading;
- Net current financial indebtedness includes: current financial receivables, short-term bank debt, current portion of non-current debt, other current financial debt, and payables to funding shareholders;
- Net non-current financial debt includes: non-current bank debt, bonds issues, other non-current payables, payables to funding shareholders.

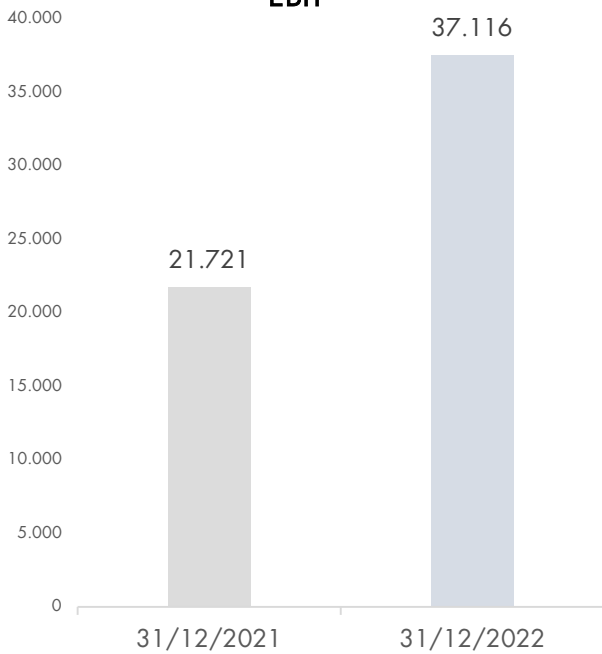
EBITDA



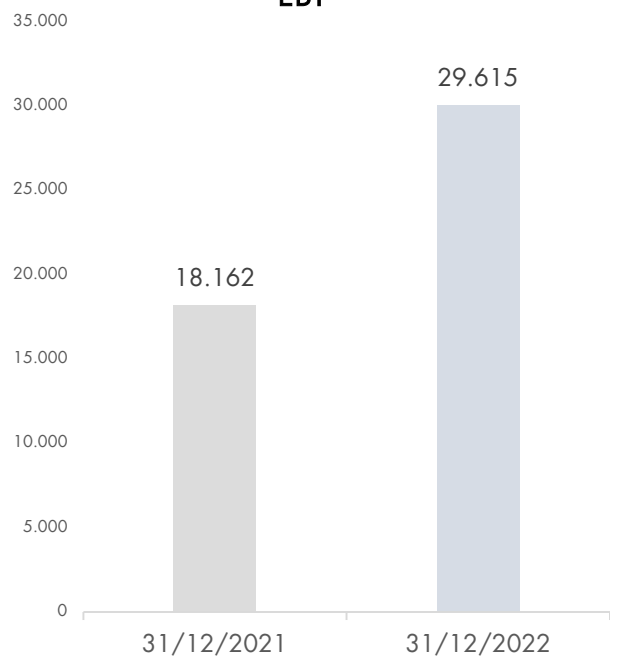
EBITDA Margin



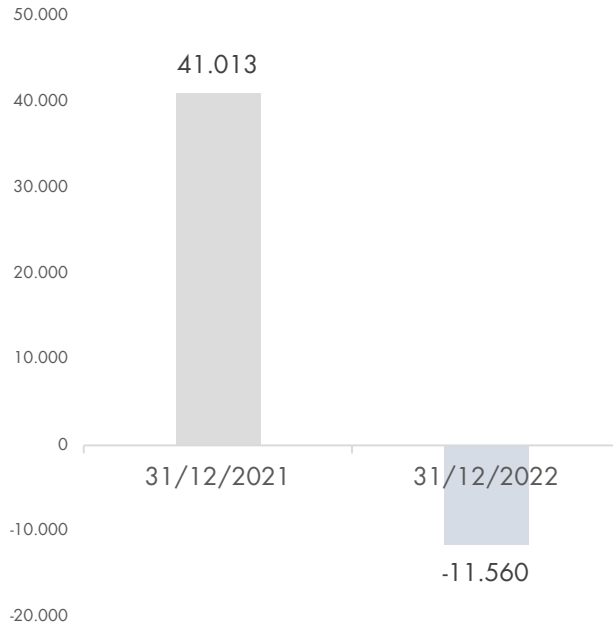
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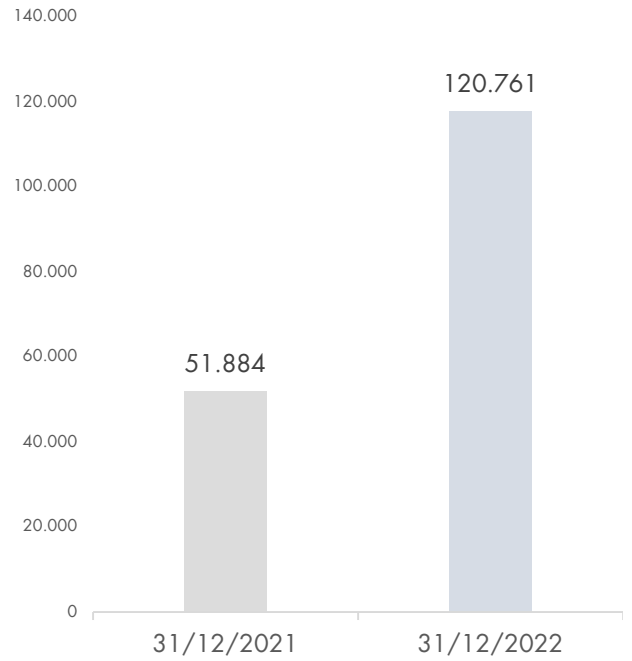
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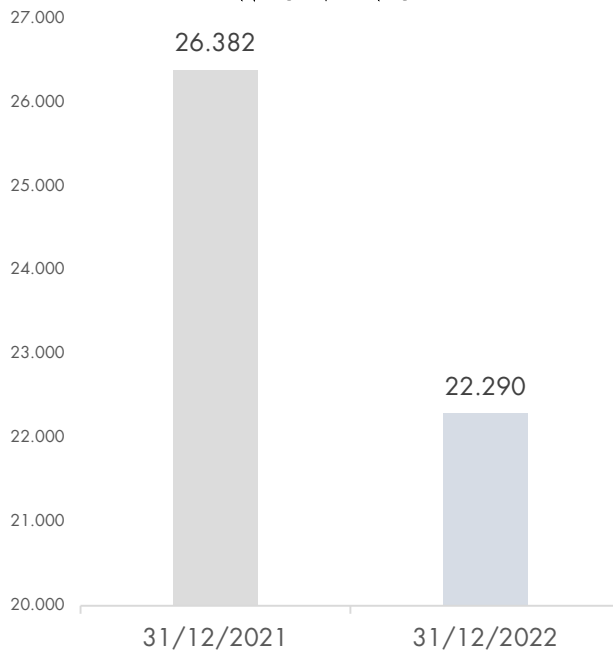
NET FINANCIAL INDEBTEDNESS



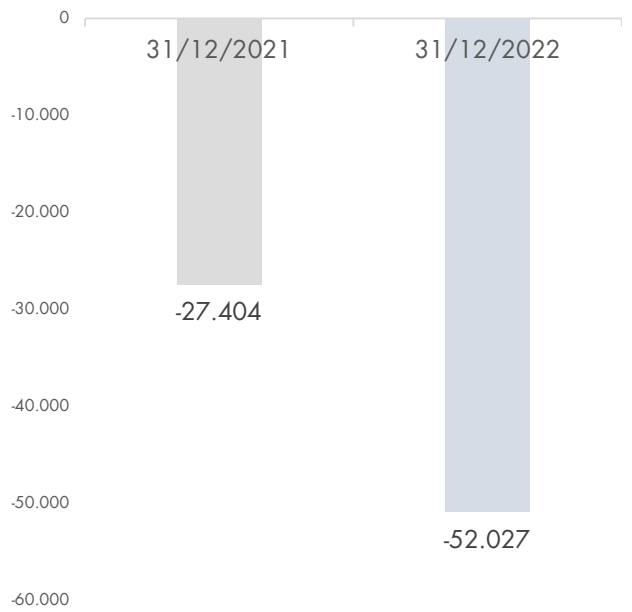
NET INVESTED CAPITAL



INVESTMENTS



NET WORKING CAPITAL



SIGNIFICANT EVENTS OF THE YEAR

On 20 January 2022, the acquisition of the business complex of the bankrupt Perini Navi S.p.A., which TISG was awarded through its wholly-owned subsidiary, New Sail S.r.l., during the auction of 22 December 2021, was finalised.

New Sail S.r.l. participated in the competitive procedure by paying a deposit of Euro 8 million and after being awarded the contract, it paid a further Euro 72 million as a balance. This amount was paid by means of the financial support made by TISG in favour of the then subsidiary New Sail S.r.l., through: i) its own cash and cash equivalents, deriving primarily from the proceeds raised during the IPO at the beginning of last June, and ii) bank credit lines, for an amount of Euro 38.9 million, made available by Banca MPS through MPS Capital Services, the Corporate & Investment Bank of the Montepaschi Group.

The Perini Navi S.p.A. business complex includes:

- 1) Movable and real estate assets of Viareggio;
- 2) Movable and real estate assets of La Spezia;
- 3) Land in Pisa
- 4) Vessel under construction, subject of contract number 2369;
- 5) Trademarks and patents

6) Shareholding (100%) of Perini Navi USA Inc. and,

7) existing legal relationships, including, but not limited to:

- a) Employment relationships with personnel that will be in place at the date of effectiveness of the transfer;
- b) State-owned concessions in place for the construction sites, warehouses, quays and areas of Viareggio and La Spezia at the effective date of the sale;
- c) Authorisations, licenses, permits, certifications issued in favour of Perini Navi and/or the trustee for the operation of the business complex;
- d) Contracts relating to utilities for the property complex, rental contracts for hardware and software equipment, software licenses and e-mail account licenses;
- e) Tender contracts for the security, surveillance, safekeeping and cleaning services of the Viareggio and La Spezia sites.

The consolidation of the acquisition is enabling the Group to leverage the strong internal know-how developed in the sailing yacht business, the proven experience in the appreciation of acquired assets and brands, as evidenced by the strong growth achieved through the international recognition of Admiral and Tecnomar. Furthermore, in the case of Perini Navi, this possibility of value increase will also be

favoured by the fact that the financial crisis that led to the bankruptcy has not in the least affected the value of the prestigious brand, as the prices recorded in the most recent purchases and sales on the secondary market unequivocally demonstrate.

The employees coming from Perini Navi have been rapidly and efficiently integrated inside the Group, which now can count on an additional team of professionals with a strong technical and commercial know-how in the sailing yacht sector.

Another positive aspect in perspective is the excellent track record in the refit of Perini Navi sailing yachts, with about 50% of the Perini Navi brand yachts having already passed through the TISG's shipyards. Furthermore, the integration of Perini Navi into TISG group represents an exceptional opportunity for growth and development along the northern coast of Tuscany and Liguria di Levante, allowing the expansion of production capacity and making possible a potential doubling of refit orders, in addition to the acquisition of contracts for the construction of motor yachts of 90 - 130 meters.

As described above, on 14 January 2022 a loan agreement for Euro 40 million was signed with MPS Capital Services S.p.A., expiring on 31 December 2028, aimed at financing the subsidiary New Sail S.r.l. in order to make available to it the amounts due for the payment of the balance of the price following the awarding of the unified

business complex of the bankrupted Perini Navi S.p.A.

On 27 January 2022, a medium/long-term loan agreement was signed between TISG, UniCredit S.p.A. and Deutsche Bank S.p.A. for a maximum amount of Euro 32 million for the full early repayment of the previous loan of 8 May 2020 and for the support of the investments of the Group expected in the year 2022 referred to in the TISG 4.0 Project and the TISG 4.1 Project. The final reimbursement is expected in a single payment on 31 December 2028.

It is important to note the cooperation with Crédit Agricole S.A., which made available to the Company Euro 5 million relating to bank guarantees and a further Euro 3 million relating to short-term current account loans, aimed at paying suppliers, employees and taxes.

In consideration of the instrumental function that New Sail S.r.l., 100% controlled by TISG, has carried out since its establishment and in consideration of the fact that the management of the activities through two subjects active in the same sector would not meet the criteria of cost-effectiveness, on 3 March 2022, it was resolved the merger of New Sail S.r.l. into the parent company TISG.

This operation allowed: (i) to unify and integrate decision-making processes, (ii) to pursue greater management efficiency, thanks to the development of significant production, logistical, corporate and

administrative synergies, as well as (iii) to achieve administration cost containment. Since the merged company was established on 3 November 2021 and it acquired the two Perini Navi business complexes on 5 February 2022, the merger has no significant tax effects to report.

On **3 August 2022**, The Italian Sea Group announced the new fleet that brings back the Picchiotti brand, a name that has represented the excellence and elegance of the Italian naval tradition since 1575.

Created in collaboration with Luca Dini and his Design & Architecture, the project represents the understanding of TISG's ideas and requirements for relaunching the historical stylistic essence of Picchiotti, with the participation of Kurt Lehman and his Yacht Moments Consultant.

With the name "Gentleman", the fleet introduces TISG into the mass production segment of yachts and super-yachts, while maintaining its *ultra-high-level* positioning.

The project stems from the ambition to create a product inspired by the silhouette of American yachts of the 1960s, expressing timeless classic lines with exclusivity and elegance, with innovative engineering solutions and a unique and distinctive design.

An invitation to a more human-friendly sailing, a blast from post-war aristocracy, synonymous with freedom at sea, with the added comfort and luxury of a superyacht.

On **4 August 2022**, the Board of Directors of The Italian Sea Group approved the acquisition of 100% of the shares of **TISG Turkey Yat Tersanecilik Anonim Sirketi**

("TISG Turkey") from GC Holding S.p.A. for a value of Euro 150,000 and the delegation to the Chairman, Filippo Menchelli, to sign the resulting deeds.

This transaction will allow the company to consolidate the entire production process, ensuring even more integrated and quality-oriented Operations management. It will also facilitate direct investment strategies from TISG to TISG Turkey with a view to business growth.

Following the wave of bad weather that hit the province of Massa Carrara on Thursday 18 August 2022, TISG did not record any significant impacts on the activities of the shipyard, nor any interruption in production.

Damage to structures - which were promptly repaired by the purposely set up task force - is to be considered negligible and all the assets are covered by an insurance policy.

In September, The Italian Sea Group unveiled its new line of semi-custom motor yachts, the 50-metre Admiral-branded Panorama project born from the collaboration with team of **Studio Piredda & Partners**. With an elegant and timeless profile, Panorama is a Made in Italy masterpiece in terms of form, lines and functional solutions. As evidence of the project's success, two models have already been sold within a month of its launch.

On **27 October 2022**, the Board of Directors co-opted Gianmaria Costantino as Director.

Gianmaria Costantino takes over from Giulio Pennacchio, General Manager of NCA Refit, who had resigned from his position as a member of the Company's Board of Directors in order to be able to dedicate himself entirely to the management of the company activities under his responsibility, consequently to the intense growth the Group is recording and the further future development of the NCA Refit business.

This appointment is the first step of a succession plan that will guarantee business continuity in the years to come and a gradual generational transition.

In October, the Company also formalised its collaboration with **Malcolm McKeon**, a leader in the design of super-yachts for over 30 years with innovative and high-performance projects. The partnership will begin with the construction of the 56-metre sailing ketch. It borrows some of the most iconic stylistic features of the Perini Navi fleet, interpreting them in a modern key and combining designer input with TISG design standards. The 56-metre ketch represents the starting point for the development of the new Perini Navi fleet ranging from 47 to 90 metres.

SIGNIFICANT EVENTS AFTER YEAR END

On 23 January 2023, the Group extended its license contract with **Automobili Lamborghini** until the end of 2027.

On 24 January 2023, the Company formalised the **Preliminary Results as at 31 December 2022** and the **2023-2024 Strategic Outlook** on the first **Capital Markets Day** in virtual format.

During the event, the Management illustrated the main economic and financial dynamics of TISG, the strategy that will be pursued in the medium/long-term, the group's growth expectations, the capital structure and the dividend policy.

On **Saturday 11 February 2023**, through an important event at the Marina di Carrara headquarters, TISG presented the hull of the first **Admiral Armani** yacht of 72 meters, in collaboration with the prestigious Italian designer who designed the exterior and interior lines.

At the **end of February 2023**, the Company announced the tragic and untimely passing of the **Vice Chairman Giuseppe Taranto**, due to an illness that lasted just under a year. On 3 March 2023, the Board of Directors met and resolved to appoint by co-optation the **CFO Marco Carniani** as **Vice Chairman** until the Shareholders' Meeting, which will renew the corporate offices.

On **2 March 2023**, TISG announced a partnership with the major brokerage firm **Edmiston**, based in London, Munich, Miami, New York, Newport, and Mexico City.

Edmiston will take charge of the exclusive sale of the first new Perini Navi 47-meter yacht, an aluminium *sloop* with high sports performance, drawing on the proven sailing experience of **Bruce Brakenhoff**, Director of the Edmiston office in Newport, Rhode Island and Chairman of **Perini Navi USA** until 2020.

On **15 March 2023**, TISG presented, one year after the acquisition, the new and innovative Perini Navi fleet consisting of three lines of sailing vessels of: 48, 56 and 77 meters.

The fleet, called "Genesis", confirms the ultra high-level positioning of Perini Navi as a global player in large sailing yachts.

BUSINESS OUTLOOK

In the near future, The Italian Sea Group expects a positive trend for luxury yachting, with an increase in demand and a focus on mega and giga yachts over 50 metres, also as a result of the increasing global number of Ultra-High Net Worth Individuals - potential customer base - particularly in the Americas and APAC, which cumulatively account for about 60% of the Order Book as at 31 December 2022.

To address this potential growth in demand, TISG has already made its production capacity more efficient through investments and acquisitions, and can now count on the best quality of spaces, structures and know-how to best meet the demands of its customers, with an excellent production mix between the Shipbuilding and the refit division.

Constant investment in the development of a strict internal quality control system has enabled The Italian Sea Group to achieve a very high market position over the years, further strengthened by prestigious partnerships with leading international luxury companies.

In light of these considerations, during the first **Capital Markets Day** of 24 January 2023, the Company informed the market of its **strategic outlook** for the years 2023 and 2024.

MARKET POSITIONING: MEGA AND GIGA YACHTS

In the coming years, The Italian Sea Group will base the development of its business not only on an extremely resilient and continuously growing customer base, but also on a solid market positioning in the large-scale segment, in which demand has suffered drastically increase from 2002 to date.

TISG's positioning in this market segment is demonstrated by the quality and visibility of the order book, 85% of which is made up of yachts over 50 meters with deliveries expected until 2027.

The Italian Sea Group's customers are extremely global, also thanks to the strategic partnerships that the Company has signed over the years with the main brokers in the nautical sector, present in different parts of the world.

Worth mentioning, in particular, are **Camper & Nicholsons** for Hong Kong and China, **TWW Yachts** and **Blackorange** for the Middle East, **FGI Yacht Group** for America and **IYC** for Europe.

BRAND AWARENESS: EXCELLENT QUALITY AND DESIGN

The Italian Sea Group's core business lies in the construction of large yachts with a very high level of quality and customisation, characterised by high performance and a

flexible approach to meet Shipowners' technical and aesthetic requirements.

The focus on technological and stylistic innovation represents a fundamental point of differentiation for the Company, also thanks to the "Made in Italy" label, a symbol of art, creativity, passion and craftsmanship.

For closer control over the timing and quality of its products down to the smallest detail, TISG has invested and continues to invest in the in-sourcing of the activities of the production chain with the highest added value: **steelwork**, **upholstery** and **outfitting structures** are all in-house workshops that allow the company to ensure the timing, quality and cost of processing.

In addition, The Italian Sea Group uses an in-house Style Centre, consisting of some thirty architects following the customers who request it in the customisation of their yachts right from the basic design.

TISG also collaborates with international *archistars* in the sector, including Winch Design, Sinot, Espen Oeino, Luca Dini, and others.

The success of The Italian Sea Group brand is also strengthened by the prestigious partnerships with **Automobili Lamborghini** and **Giorgio Armani**, which have contributed to consolidating the Company's positioning in the luxury segment.

SHIPBUILDING AND REFIT: SYNERGIES AND PRODUCTION CAPACITY

One of the main strengths of The Italian Sea Group lies in its production capacity, through the investment plans on the Marina di Carrara shipyard, which will be completed in the first half of 2023, and with the addition of the two shipyards of La Spezia and Viareggio deriving from the acquisition of Perini Navi.

This production capacity is distributed between the Shipbuilding and Refit divisions, leveraging operational and financial synergies, so as to be able to accommodate the production needs deriving from the growing demand in both divisions.

PERINI NAVI: RELAUNCH AND STRATEGIES

In March 2023, TISG formalised the restyling of the new Perini Navi fleet with three product lines of 48, 56 and 77 meters, respectively.

The fleet, called "**Genesis**", stems from the ambition to reinterpret the iconic elements of the Perini Navi brand in a modern and exclusive way, with a forward-looking approach and prestigious collaborations with *archistars* in the sector.

SUSTAINABILITY: LONG-TERM VALUE CREATION FOR STAKEHOLDERS

To date, the Company has achieved important goals in terms of **environmental** sustainability, such as the installation of a photovoltaic panel system on the warehouses of the Marina di Carrara shipyard and the purchase of 100% of the energy used from renewable sources.

This commitment also continues by offering cutting-edge solutions in terms of products: in particular, motor-yacht **Admiral Kensho (2022)** represents a benchmark for sustainable yachting thanks to the **Lloyd's Register ECO** notation and a "**Serial Hybrid**" propulsion system that optimises energy consumption and reduces emissions, vibrations and noise pollution.

Social responsibility activities include initiatives in favour of employees at all levels and an important factoring system to support the production chain. Through the **TISG Academy**, the Company also encourages the growth of its people and the development of solid know-how through training courses carried out in collaboration with the Universities of Genoa, La Spezia and Trieste.

As regards **Governance**, TISG fulfils all the requirements of best practices in terms of gender equality, composition of the Board of Directors and of the Board Committees, with a Control and Risk Committee that has

also been assigned responsibility for matters of sustainability.

In April 2023, the Company will publish the first **Non-Financial Statement (Sustainability Report)**, with a view to total transparency towards the market and the reference stakeholders.

STRATEGIC OUTLOOK 2023 - 2024

The **2023-2024 Strategic Outlook** forecasts significant organic growth and benefits from the group's current structure and the considerable contribution due to the integration of Perini Navi and the assets deriving from it, the important partnerships signed with leading nautical brokers, luxury brands and the extensive sales structure with a global outreach.

The group's growth targets envisage Revenues between Euro 350 - 365 million with an EBITDA Margin between 16 - 16.5% in 2023 and Revenues between Euro 400 - 420 million with an EBITDA Margin between 17 - 17.5% in 2024.

With reference to the capital structure and the dividend policy, the objective for 2023 and 2024 is to maintain neutral leverage, with a maximum limit of 1.5x EBITDA, and to distribute an annual dividend with a payout of around **40-60%** of the Group's Net Profit. These policies are subject to

temporary impacts linked to the CapEx and M&A strategy.

RELATED PARTY TRANSACTIONS

Revenues, expenses, receivables and payables at 31 December 2022 from related parties are described in the Explanatory Notes.

Transactions are carried out at normal market values, based on the characteristics of the goods and services provided.

RISK MANAGEMENT

In the normal course of its business activities, The Italian Sea Group is exposed to various risk factors, financial and non-financial, which, if they occur, could have an impact on the Company's economic and financial situation and assets.

RISKS RELATED TO THE FINANCIAL SITUATION

Description of the risk

As at 31 December 2022, the Company had a Net Financial Indebtedness of **Euro 11,560 thousand**.

Part of this value derives from financial contracts characterised by **financial covenants**. The Company is therefore exposed to the risk of having to repay its financial debt early in the event of the above-mentioned assumptions; this circumstance could have significant negative effects on the Company's economic, financial and equity situation. In the event of non-compliance with the financial covenants, the Company undertakes to deliver a declaration by the legal representative, indicating the reasons and the measures adopted, where possible, to restore the original conditions. In such cases, the Bank may opt for termination of the contract pursuant to Article 1456 of the Italian Civil Code.

Moreover, the Group is exposed to the so-called **interest rate risk**, i.e., the risk that an increase in interest rates may result in higher charges than the current ones. In order to hedge this risk, The Italian Sea Group adopts hedging instruments for the most significant medium and long-term loans at variable rates.

Mitigating actions

The Company constantly monitors its equity and financial structure in order to verify compliance with any type of commitment made with the banking system.

The **financial covenants**, to be verified at the end of each annual or half-yearly financial period, are established within the loan agreements signed in 2022 and in particular:

- Loan agreement with Unicredit and Deutsche Bank, for a maximum amount of up to Euro 32 million, aimed at the full early repayment of the previous loan of Euro 16 million of 8 May 2020 and to support the company's investments. The final repayment is scheduled for 31 December 2028;
- Loan agreement signed on 14 January 2022 with MPS Capital Service for Euro 40 million, aimed at the payment of the balance of the price following the

awarding of the unified business complex of the bankrupted Perini Navi S.p.A.
The final repayment is scheduled for 31 December 2028.

The parameters that demonstrate compliance with the aforementioned covenants for the year 2022, calculated according to the methods described above, are shown below:

1) Financial covenant for Unicredit and Deutsche Bank pool financing:

in thousands of Euro	2022	2021
Share capital	26,500	26,500
Reserves and other retained earnings	45,431	45,431
Subordinated Shareholders' Loan	0	3,161
OWN FUNDS	71,931	75,092
Short-term financial liabilities	14,163	7,575
Long-term financial liabilities	66,287	23,863
Liabilities for non-current derivative instruments	0	0
Liabilities for current derivative instruments	0	0
Other financial assets not included in the above items	12,238	9,557
Co-obligation payables	2,216	2,871
Liquidity	-81,128	-85,605
NFP	13,775	-41,739
EBIT	37,116	21,240
DA	9,985	6,233
Contingencies	-	715
EBITDA	47,100	26,758

CONTENTS	Contractual Reference Value	Covenants	Covenants
	2022	2022	2021
NFP/EBITDA	< 2.00	0.29	-1.56
NFP/MP	< 0.50	0.19	-0.56

2) MPS Capital Service financial covenant:

in thousands of Euro	2022
Short-term financial liabilities	14,163
Long-term financial liabilities	66,287
Other financial assets not included in the above items	12,238
Liquidity	-81,128
NFP	11,560
EBIT	37,116
DA	9,985
EBITDA	47,100

CONTENTS	Contractual Reference Value 2022	Covenants 2022
NFP/EBITDA	< 2.9	0.25

With regard to the remaining positions, the Company is exposed to a moderate credit and liquidity risk depending on the credit lines obtained by the banking class.

RISKS RELATED TO OPERATIONS

Description of the risk

Due to the operational complexity deriving both from the intrinsic characteristics of the shipbuilding activity as well as from the desire to diversify the product carried forward by the Company, it is exposed to the risk deriving from incapacity to implement an adequate project management activity, i.e., to adequately manage this operational complexity or the organisational integration process.

Impact

If the Company should be unable to (i) implement adequate project management activities, with sufficient or effective procedures and actions to monitor the correct completion and efficiency of its shipbuilding processes; (ii) manage any complexity deriving from the product diversification activities brought into being by the directors; (iii) fail to efficiently distribute the workloads based on production capacity (plant and workforce), it could record a contraction in revenues and profitability with possible negative effects on the economic, equity and financial situation.

Mitigating actions

TISG has put in place procedures and activity plans in order to monitor the progress of each project over its entire duration. The Company adopts a flexible and dynamic production structure in order to respond efficiently to any fluctuations in demand, guaranteeing delivery times in line with what has been contractually established with customers.

RISKS RELATED TO MANAGEMENT OF RELATIONS WITH SUPPLIERS IN OUTSOURCED PRODUCTION

Description of the risk

The Italian Sea Group makes use of contractors, external collaborators (e.g., designers) and suppliers in order to purchase materials, components, and semi-finished products and to carry out steelworks, plant engineering, painting, fitting out, art direction and design, among other things. Any non-fulfilment by contractors, collaborators or suppliers could compromise the correct and timely performance of the Company's activities, with negative effects on productivity, results, and economic situation. TISG is also exposed to the risk that any defects and/or malfunctions in products or processing and/or delays could cause reductions in revenues and/or compensation obligations and/or reputational damage.

In addition, the Company is exposed to the risk that employees of external contractors or suppliers or collaborators formulate requests to the Company for recognition of the existence of employment relationships, as well as requests for payment by virtue of the constraints of passive solidarity or contest violations of the regulations in force, with possible negative effects on the economic, financial and equity situation of the Company.

Impact

A negative contribution in terms of quality, time or costs by suppliers leads to an increase in production costs, and a deterioration in the perception of product quality by the customer.

Mitigating actions

The Company's management is particularly attentive in overseeing the coordination of internal and external workers through dedicated structures and procedures. In addition, TISG carefully selects its "strategic suppliers" who must maintain top-level performance standards.

RISKS RELATED TO THE STRUCTURE OF THE MARKET

Description of the risk

The Italian Sea Group is exposed to the risks associated with the global economic and financial situation and the economic trend of the specific geographic markets of its products intended for customers of individuals with considerable capital availability. Significant economic events regarding the global economy or the economy of the countries in which TISG's customers reside, such as financial and economic crises, could imply the risk that customers reduce their propensity to purchase or decide not to finalise the purchase of a yacht already ordered. In this case, the Company would be forced to look for a new purchaser, possibly withholding the amounts paid by the customer as an advance in accordance with the contracts signed.

This circumstance could have an adverse effect on the economic, financial and equity situation.

The instability of the geo-political, macroeconomic, and financial framework at both European and global level could affect the production capacity and growth prospects of TISG. In particular, a prolonged recession in any of these regions or at global level, or a public perception that economic conditions are worsening, could significantly reduce the demand for products.

The growth of UHNWI (reference customers of the Company) is driven by Asia and America. Expansion in these markets, together with a low level of penetration of this customer base, presents an opportunity for the Company; however, political and/or economic crises in these regions could pose risks to the business.

If, also as a result of the change in market practices and the contingent economic situation, the Company is not able to continue with the policy of payments in advance of the delivery of the yachts, given the times and costs necessary to build them, this could have a negative effect on TISG's business, prospects, economic and financial situation, and assets.

Mitigating actions

To mitigate the risk in question, the Company has paid particular attention to the quality of its production as well as to adhere to the yacht construction times, together with optimal joint planning of the customer's needs.

The Company's current strategy envisages product and business diversification and a global presence on all continents. This circumstance allows TISG to identify and reach the different needs of customers in every part of the world. TISG implements a commercial strategy aimed at the continuous exchange of information between

the customer and the company's managers, to deal with and resolve any difficulty that may arise as a result of events not attributable to the intrinsic performance of the business at any time.

RISKS RELATED TO ORDER MANAGEMENT

Description of the risk

TISG stipulates contracts with shipowners that envisage a specific fee (except for further requests from the customer received during construction) that must take into account all the costs related to the construction of the yacht, and of the penalties that are prescribed in the orders in case of delay in delivery and the yacht's failure to achieve certain performances (speed, noise levels, vibration levels). The occurrence of significant increases in costs could lead to a reduction in the margin.

This risk, which is considered to be highly probable in the sector, could have negative effects on TISG's economic, financial and equity situation.

The contracts for the construction of luxury yachts managed by the Company are multi-year with an established fee and a delivery deadline set at the beginning; any change in the sale price, linked to the needs and tastes of the customer, must be agreed with the shipowner and any changes in the project originate from it. At the time the contract is signed, the determination of the price must take into account the costs of raw materials, machinery, components, outsourced contracts and all costs related to construction.

Impact

Increasing cost changes not envisaged in the pre-contractual phase that do not correspond to a parallel increase in price, may result in a significant reduction in margins on the orders concerned.

With a view to reducing the likelihood of this risk, the Company uses the figure of the **Project Manager**. These figures, characterised by many years of experience in the nautical sector, are responsible for the preparation of order budgets, supply chain management, monitoring of delivery times and the general quality of projects.

Mitigating actions

This activity is carried out by the project managers in collaboration with the planning and control function, under the direct responsibility of the **General Manager of TISG**. The monitoring of the final data with respect to the order budget is carried out on a monthly basis in the meetings of comparison between the

planning and control department, the sales management, and the Chief Executive Officer of TISG.

The valuable experience deriving from the yachts delivered in recent years, the implementations deriving from investments in the management control system and the constant exchange of information between the various company departments allow project managers to predict any expected increases in the cost components of the orders and in the process of determining the offer price.

It is common that after the signing of the contracts, addendums can be stipulated, shared with the customer, to manage the extra requests and recover any percentage of margins ("Variations to Contract " or "VTC").

RISKS RELATED TO MANUFACTURING DEFECTS, NON-COMPLIANCE WITH CONTRACTUAL SPECIFICATIONS AND PRODUCT LIABILITY, AND ACTIVATION OF GUARANTEES

Description of the risk

The Company contractually guarantees its customers against defects in the workmanship of each vessel, usually for a period of 24 months after delivery, with possible negative effects on the economic, financial and equity situation with regard to the excess of the warranty costs compared to the amount allocated in the financial statements in the guarantee funds, as well as on the image of the Company towards the reference market.

Impact

During the warranty period, the Company is required to carry out repairs and/or replacements for any fault or defect that emerges after delivery (although it can then attribute responsibility for the defect to its own contractors or third-party suppliers, who additionally have warranty obligations towards the shipyard and from whose remuneration/contract or supply price is deducted - during the course of the contract - from 5% to 10% of each partial completion stage (SAL), precisely as a retention of guarantee).

In the estimate phase, TISG calculates the cost of any repairs under warranty based on historical statistics of the interventions and considers them among the costs of the order.

Nevertheless, The Italian Sea Group could incur guarantee costs in excess of those allocated. Given the above, it cannot be excluded that any manufacturing faults and defects and non-compliance with certain technical performance specifications or works carried out could therefore cause losses in revenues and/or reputational damage as well as lead to an increase in costs for TISG, also by virtue of the guarantees on these products and technical performance specifications, with significant negative consequences on the economic and financial situation and assets with regard to the guarantee costs in excess of the amount allocated to the guarantee provisions in the financial statements, as well as on the Company's image.

Mitigating actions

The Italian Sea Group has equipped itself with a sophisticated and innovative technological control system for the entire production phase of the yachts.

The Quality Department, or **Production Quality Control**, carries out the Production control in all phases of the order, and is completely independent from the other departments.

The activities are carried out by a team that is complete in terms of skills and experience: there are 8 inspectors and 4 external collaborators on board full-time to implement experience in metal carpentry, outfitting, safety, compiling schedules and test memoranda, managing notes in red and remark reports on deliveries and approval of drawings.

When on-board inspections give a negative result, the Quality Control Department issues reports regarding defects found, ("remarks") based on:

- site standards and mock-ups;
- classification, flag, and international shipping regulations;
- the technical and shipowner specifications and on the drawings of the Technical Department.

At the end of construction, the on-board equipment and systems are tested and inspected in the presence of the Quality Control department which, using dedicated test charts, reports on the commissioning and sea trials carried out before and during the delivery of the order.

These procedures, described in detail, are the result of scrupulous work and significant investments, aimed at mitigating any harmful event that may emerge after the delivery of the yacht and generate costs exceeding the normal after sale management.

RISKS RELATED TO THE REGULATORY FRAMEWORK OF REFERENCE

Description of the risk

The Company is subject to the regulations applicable in Italy and in the countries in which it operates. Any breaches of these regulations could result in civil, administrative, and criminal penalties, as well as the obligation to carry out regularisation activities, the costs and responsibilities of which could adversely affect the Company's business and its results.

Impact

Any changes in safety or environmental protection standards, as well as the occurrence of unforeseeable or exceptional circumstances, could force the Company to incur extraordinary expenses relating to the environment or workplace safety.

Mitigating actions

The Italian Sea Group promotes compliance with all regulations to which it is subject as well as the preparation and updating of preventive control tools suitable for mitigating the risks associated with breaches of the law.

RISKS RELATED TO LITIGATION AND TAX ASSESSMENTS

Description of the risk

The Company is exposed to the risk of being involved in ordinary judicial or passive arbitration proceedings that could result in compensation and payment obligations. Furthermore, TISG is exposed to the risk that the outcome of disputes of significant value currently pending will be unfavourable. This circumstance could have an adverse effect on the Company's economic, equity and financial situation.

Impact

The Company believes it is possible that the outcome of the proceedings in progress at the closing date of the financial statements at 31 December 2022 could have an unfavourable outcome for the Company, with acceptance, in whole or in part, of the claims made by the counterparties.

Despite the above assessments, it cannot be ruled out that currently remote risks may become possible or likely and lead to adjustments to the value of the provisions for risks, or that, in the event of losing in disputes for which the provisions for risks

were deemed adequate, TISG could suffer negative effects on the economic, equity and/or financial situation.

It should be noted that the majority of the contracts in force to which the Company is a party provide for compromise clauses with arbitration in London, with consequent possible increases in costs in the event of litigation.

Among the most significant pending disputes, the following are worth mentioning:

ARBITRATION PROCEEDINGS IN THE UK AGAINST GFM SA - FRANCK MULLER GROUP AND FMTM LIMITED FOR A PARTNERSHIP AGREEMENT THAT TISG BELIEVES HAS NOT BEEN RESPECTED

The arbitration proceedings in England, initiated by TISG a few years ago for significant damages, were successful with an award that has now become final (for a total of approximately Euro 1.6 million).

In the meantime, TISG obtained an order for seizure of Euro 660 thousand in Italy, at the Court of Massa, and had it recognised (exequatur) and then successfully and extensively executed in Switzerland against GFM.

GFM opposed it but was unsuccessful in Switzerland in all levels of proceedings (with payment of legal costs, partially collected).

In the face of the awards won in England, TISG filed for the declaration of GFM's bankruptcy, which was indeed declared; GFM, however, paid the due amount to the Chancellery to have the declaration of bankruptcy revoked (which is the case in Switzerland), and now the procedure is being decided, with the well-founded possibility for TISG to collect in the meantime about Euro 230,000 of the partial award.

In addition, TISG acted and obtained a further seizure against GFM for approximately Euro 1.3 million within capacity. The procedure for the recognition and enforceability of the main English award in Switzerland has also already been initiated. GFM objected, and therefore it will be necessary to wait for the three levels of judgement, which will be faster, however, considering the definitive nature of the award in the UK.

TISG/CARBONOVUS

The former contractor, having terminated the contractual relationship, reports the non-payment according to the progress report and damages for Euro 633,180.

For its part, TISG complains of considerable damages and penalties due to delay of Euro 19,678,514, deeming that no amount is to be paid to the former contractor.

TISG filed a bankruptcy petition against Carbonovus, with a hearing held on 6 March 2023, postponed to 15 June 2023.

Carbonovus introduced contractual arbitration against TISG, which appointed its own arbitrator; the Arbitration Board is still to be established.

OTHER DISPUTES

At the closing date of the financial year, there were 2 labour disputes.

Please note the tax dispute concerning assessment notices no. T9B03BR00854 and no. T9B03BR00875, relating to the years 2010 and 2011, notified to the Company (formerly Nuovi Cantieri Apuania S.p.A.) as the incorporating company of TYG S.p.A., by the Revenue Agency - Provincial Directorate I of Milan, which challenged the use of non-existent invoices by Tecnomar S.p.A. (subsequently called TYG S.p.A.). The tax and sanction claims in question amount to a total of Euro 1,714 thousand, plus interest.

TISG challenged the aforementioned notices before the Provincial Tax Commission of Milan, which cancelled them with ruling no. 3944/2018. The Revenue Agency appealed this ruling before the Lombardy Regional Tax Commission, which confirmed the ruling of the first instance with ruling no. 652/2020 filed on 27 February 2020. The unsuccessful Revenue Agency filed an appeal before the Court of Cassation against judgment no. 652/2020; TISG appeared before the court to resist the appeal.

Given the entirely positive outcome of the first two stages of proceedings, the Company may settle the pending tax according to facilitated terms, based on the provisions of art. 1, paragraphs 186 et seq., of the aforementioned Law no. 197/2022, resulting in tax charges estimated at approximately Euro 140,000.

Mitigating actions

All pending disputes are constantly monitored by the Company's lawyers and assessments of any economic and financial impacts on the financial statements are made with accuracy in order to provide a true and fair view of the accurate estimate of the potential loss.

RISKS RELATED TO COMMERCIAL RELATIONS WITH THE INTERMEDIARY T.I.S.G. Asia

Description of the risk

The Company has signed with TISG Asia, in the course of 2021, 2 settlement agreements to remedy the customer's previous contractual breaches.

Impact

On 2 February 2021, as part of a settlement agreement signed between TISG and the customer TISG Asia, the parties agreed to: (i) terminate no. 1 contract for the

construction of a TECNOMAR-branded yacht for which TISG has withheld the amount already paid by the shipowner and has proceeded to sell the same yacht to another customer under substantially similar contractual conditions; (ii) terminate n. 3 contracts for the construction of TECNOMAR for LAMBORGHINI 63 model yachts, in relation to which the Company has withheld, as contractually provided for, the advances that have already been paid by TISG Asia itself, advances that were therefore charged for the construction of the yacht referred to in point (iii) below; (iii) terminate no. 1 contract for the construction of an ADMIRAL brand yacht and sign, under different conditions with a discount of 10% from the list price, at the same time a new contract for the construction of a new ADMIRAL brand yacht, charging as advance payment the same the advance payments for the yachts model TECNOMAR for LAMBORGHINI 63 referred to in point (ii) above. In this regard, it should be noted that the TECNOMAR branded yacht and the ADMIRAL branded yacht (referred to in points (i) and (iii) above) were, prior to the announced default, ordered from TISG Asia from a single final customer while the n. 3 contracts for the construction of TECNOMAR for LAMBORGHINI 63 model yachts (referred to in the previous point (ii)) were entered into by TISG Asia as its own investment. The profitability of TISG was not affected, as it did not start production at the time of the termination of the contract. The 5 terminations by TISG Asia, referred to above, related to contracts for a total value of approximately Euro 40 million for which TISG, as part of the settlement agreement, withheld advances for approximately Euro 9 million.

In June 2021, contacts with the administrator of TISG ASIA intensified in order to obtain feedback on the payment of the second contractual SAL of an Admiral brand yacht, in the amount of Euro 2,800 thousand, for which the Company was contractually scheduled to collect in June. As a result of the non-payment, TISG ASIA defaulted on this contract, which TISG promptly sold to another third-party customer (realising, inter alia, a capital gain).

On 19 November 2021, TISG and TISG ASIA signed a document through which all contractual issues were clarified, in part already defined with the settlement agreement of 2 February 2021, and in particular it was set forth that TISG ASIA can act as a non-exclusive broker for 12 months from the signing of this agreement (with the possibility of automatic renewal for a further 12 months if TISG ASIA reaches the targets set by the agreement) in compliance, in any case, with the exclusive brokerage agreements stipulated by TISG with third parties.

During 2022, TISG delivered a TECNOMAR model yacht to the customer in May (already fully paid for by TISG ASIA), while the other order in progress, also relating to a TECNOMAR model yacht, was resold to another customer as TISG ASIA had revealed delays in the payment of the last contractual work progress report.

Mitigating actions

Through its top management, the Company is in constant contact with the management of TISG ASIA to evaluate any further commercial developments related to the brokerage activity carried out by TISG ASIA. To date, there are no critical issues regarding any further disputes that may arise between the parties.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company is organised according to the traditional administration and control model referred to in Articles 2380-bis et seq. of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Chair of the Company is Filippo Menchelli, the Chief Executive Officer is Giovanni Costantino and the Deputy Chair is Marco Carniani.

The Company has adopted, in compliance with the Corporate Governance Code most recently updated on 31 January 2020, through its Board of Directors, a regulation on the Board of Directors and on compliance with procedures relating to the timeliness and adequacy of information provided to directors, in accordance with the corporate governance principles contained in the Corporate Governance Code.

The Board of Directors is made up of three executive directors, a non-executive director and three independent directors.

The Appointment and Remuneration Committee, the Control, Risk and Sustainability Committee, which also performs the role of Committee for Transactions with Related Parties, have been set up within the Board.

The internal control and risk management system requires the Board, after obtaining the opinion of the Control, Risk and Sustainability Committee, to define the

guidelines for the internal control and risk management system, understood as a set of processes aimed at enabling the identification, measurement, management and monitoring of the main risks. This system helps to ensure the efficiency and effectiveness of company operations, the reliability of financial information, compliance with laws and regulations, the bylaws and internal procedures, as well as the safeguarding of company assets.

The Board of Directors, having heard the opinion of the Control, Risk and Sustainability Committee, has appointed the head of the internal audit function, responsible for verifying that the internal control and risk management system is functional and adequate, ensuring that they are provided with adequate means to perform their functions, including in terms of the operational structure and internal organisational procedures for access to the information necessary for their task.

The Company annually draws up the Report on corporate governance and ownership structure which describes the corporate governance system adopted by the Issuer, as well as information on the ownership structure and the internal control and risk management system. The Report is available in full on the Issuer's website in the Governance section.

PROCESSING OF PERSONAL DATA - LEGISLATIVE DECREE No. 196 OF 30 JUNE 2003 - REG. EU 679 OF 27 APRIL 2016 (GDPR - GENERAL DATA PROTECTION REGULATION)

With reference to the obligations established by the privacy legislation in force, The Italian Sea Group S.p.A., as Data Controller, has adopted all security measures listed therein.

Following the definitive entry into force of EU Regulation 679/2016 concerning the protection of individuals with regard to the processing of personal data (GDPR), the Parent Company has completed the necessary adjustment process in order to align itself with the regulatory requirements.

The Parent Company is responsible by law, in its capacity as "Data Controller", for all the personal data processing activities carried out by the same and, in consideration of this, adopts adequate security measures in relation to the risks for rights and freedoms of individuals. In order to ensure efficient operations in relation to the performance of processing activities, it has identified within the Board of Directors a person who, in the name and on behalf of the Parent Company, independently makes decisions on the purposes and methods of processing personal data and on the tools used, including the adoption and monitoring of security measures and their adequacy, and who supervises all personal data processing activities carried out by the Parent Company.

The Parent Company did not appoint a DPO (Data Protection Officer) since it does not carry out the processing of data as defined by art. 37 of the GDPR.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

In compliance with Article 2497-bis, paragraph 5, it should be noted that the Parent Company's activities are not subject to the management and coordination of companies or entities.

ARTICLE 2428 ITALIAN CIVIL CODE

The information required by Article 2428, paragraphs 1, 2, 3 and 6 are included in the Report on Operations. Information relating to the financial instruments, objectives and policies of the Group on the subject of financial risk management can be found in section F of the Explanatory Notes to the consolidated financial statements and in section E of the financial statements of the Parent Company.

Information on the Parent Company's secondary offices is reported in section A of the Parent Company's financial statements.

FINANCIAL STATEMENT SCHEDULES AT 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION

<i>in thousands of Euro</i>	notes	31/12/2022	31/12/2021
ASSETS			
NON-CURRENT ASSETS			
Brands	1	34,685	3,554
Other intangible assets	2	1,030	863
Land and buildings	3	38,354	35,994
Plant, machinery, equipment and investments in progress	4	49,182	28,708
Other tangible assets	5	1,603	1,642
Right Of Use	6	46,077	8,889
Equity investments	7	489	53
Other non-current assets	8	6,576	4,222
Total non-current assets		177,996	83,925
CURRENT ASSETS			
Cash and cash equivalents	9	81,128	85,605
Trade receivables	10	21,469	10,236
Other receivables	11	5,956	10,348
Assets from contract work in progress	12	49,468	41,336
Inventories	13	3,573	1,250
Other current assets	14	2,778	2,384
Total current assets		164,372	151,159
TOTAL ASSETS		342,368	235,084
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		26,500	26,500
Share premium reserve		45,431	45,431
Reserves and other retained earnings		13,023	4,635
Profit (loss) for the year		24,247	16,332
Total Shareholders' Equity	15	109,202	92,898
NON-CURRENT LIABILITIES			
Provisions for risks and charges	16	3,431	3,066
Deferred tax liabilities	17	894	1,178
Provision for employee benefits	18	1,251	760
Long-term financial liabilities	19	76,198	31,378
Other non-current liabilities	20	50	486
Total non-current liabilities		81,824	36,868
CURRENT LIABILITIES			
Trade payables	21	78,770	57,146
Other payables	22	13,693	5,623
Short-term financial liabilities	23	15,193	11,479
Liabilities from contract work in progress	12	16,800	16,345
Other current liabilities	24	26,886	14,725
Total current liabilities		151,342	105,318
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		342,368	235,084

INCOME STATEMENT - BY NATURE

<i>in thousands of Euro</i>	notes	31/12/2022	31/12/2021
Operating revenues		291,510	186,054
Other revenues and income		7,710	5,448
Commissions		(4,093)	(4,825)
Total Revenues	25	295,128	186,677
Raw materials, components and consumables	26	(68,133)	(46,684)
Cost for outsourced work	27	(117,942)	(71,278)
Technical services and consultancy	28	(16,800)	(5,234)
Other costs for services	29	(12,729)	(10,695)
Personnel costs	30	(29,562)	(22,117)
Other operating costs	31	(6,227)	(3,682)
Total operating costs		(251,392)	(159,690)
Operating result before amortisation, depreciation and write-downs		43,736	26,987
Amortisation, depreciation and write-downs	32	- 10,339	(5,747)
Operating result		33,396	21,240
Financial income	33	447	197
Financial charges	33	(4,228)	(3,275)
Profit (loss) for the year before income taxes		29,615	18,162
Income taxes	34	(5,368)	(1,831)
Profit (loss) for the year		24,247	16,332
Earnings per ordinary share		0.46	0.31
Diluted earnings per ordinary share		0.46	0.31

COMPREHENSIVE INCOME STATEMENT - BY NATURE

Profit/(loss) for the year		24,247	16,332
Gains/(losses) on remeasurement of defined benefit employee plan liabilities	35	(48)	(31)
Change in fair value of hedging derivatives	35	1,825	81
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR (A) + (B)		26,024	16,382

CASH FLOW STATEMENT

<i>In thousands of Euro</i>	31/12/2022	31/12/2021
INCOME MANAGEMENT ACTIVITIES		
Profit for the period before taxes	29,615	18,162
Net interest	3,781	(3,144)
Provision for charges and risks	1,053	1,773
Provision for severance indemnity	1,377	957
Adjustments for:		
Amortisation, depreciation and write-downs of fixed assets	9,889	4,199
Capital gains/(losses)	0	(36)
Other provisions and write-downs (revaluations)	300	296
Changes in assets and liabilities:		
Receivables from customers	(11,533)	4,084
Inventories and contract works in progress	(7,732)	(9,778)
Other management activities	7,326	(8,033)
Payables to suppliers	22,100	21,649
Other operating payables	19,706	8,268
Severance indemnity	(886)	(1,014)
Provisions for risks and charges	(972)	(2,008)
Taxes paid	(5,368)	(1,831)
Interest paid	(3,781)	(3,078)
Cash flow from income management activities	64,875	36,754
INVESTMENT ACTIVITIES		
Purchase of tangible assets	(19,353)	(23,424)
Disposal of tangible assets	0	36
Purchase of intangible assets	(483)	(346)
Purchase of equity investments	(294)	(10)
Receivable from CELI	0	(3,411)
Disbursement for the purchase of the Perini business complex	(80,000)	
Others	(3,652)	880
Cash flow from investment activities	(103,782)	(26,275)
FINANCING ACTIVITIES		
Capital contributions	0	4,750
Payment of Share Premium Reserve	0	41,851
Change in reserves	(497)	
Payment of IPO Charges	0	(2,027)
Payment of dividends	(9,716)	(6,235)
Raising M/L term loans	72,500	27,000
Raising shareholders' loans	(3,161)	0
Repayment of M/L term loans	(23,484)	(5,391)
Repayment of loans to others	(1,212)	(2,339)
Net change in other sources of short-term financing	0	(426)
Cash flow from financing activities	34,430	57,183
TOTAL CASH FLOWS FOR THE PERIOD	(4,477)	67,662
OPENING CASH AND CASH EQUIVALENTS	85,605	17,943
FINAL CASH AND CASH EQUIVALENTS	81,128	85,605

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>in thousands of Euro</i>	Values at	Allocation	Profit (loss)	Other	Total	Values at
	31/12/20	of income	for the	changes	profit/(loss)	31/12/21
		31/12/20	year	31/12/21	31/12/21	
SHARE CAPITAL	21,750			4,750		26,500
SHARE PREMIUM RESERVE	12,000			33,431		45,431
RESERVES AND OTHER RETAINED EARNINGS	235			4,350	50	4,635
PROFIT (LOSS) FOR THE PERIOD	6,235	(6,235)	16,332			16,332
TOTAL SE	40,220	(6,235)	16,332	42,531	50	92,898

<i>in thousands of Euro</i>	Values at	Allocation	Profit (loss)	Other	Total	Values at
	31/12/21	of income	for the	changes	profit/(loss)	31/12/22
		31/12/21	year	31/12/22	31/12/22	
SHARE CAPITAL	26,500					26,500
SHARE PREMIUM RESERVE	45,431					45,431
RESERVES AND OTHER RETAINED EARNINGS	4,635			8,388		13,023
PROFIT (LOSS) FOR THE PERIOD	16,332	(16,332)	24,247			24,247
TOTAL SE	92,898	(16,332)	24,247	8,388	0	109,201

EXPLANATORY NOTES

CONTENT AND FORM OF THE FINANCIAL STATEMENTS

These explanatory notes were prepared on the basis of the accounting records updated at 31 December 2022. The purpose of this document is to illustrate, analyse and, in some cases, supplement the data indicated in the financial statements.

The financial statements at 31 December 2014 were the first financial statements of the Company prepared in compliance with the International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The financial statements formats adopted are consistent with those envisaged by IAS 1; in particular:

- the statement of financial position was prepared by classifying assets and liabilities according to the "current/non-current" distinction;
- the separate income statement was prepared by classifying operating costs by nature, as this form of presentation is considered more suitable to represent the specific business of the Company, is compliant with internal reporting methods and is in line with the relevant industrial sector practice;
- the statement of comprehensive income includes, in addition to the profit (loss) for the year, as per the separate income statement, other changes in equity movements other than those with shareholders;
- the cash flow statement was prepared by showing the cash flows deriving from operating activities according to the "indirect method".

The values shown in these notes, unless otherwise indicated, are expressed in thousands of Euro.

Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 have introduced the obligation for issuers of securities listed on regulated markets of the European Union to draw up the annual financial report in XHTML, based on the European Single Electronic Format (ESEF) approved by ESMA.

REPORTING BY OPERATING SECTOR

The Company's organisational structure is based on two divisions: Shipbuilding and Refit. The Shipbuilding Division is active in the design, production and sale of custom-built luxury superyachts ranging currently in length from 20 to a maximum of approximately 100 metres, with a focus on yachts between 60 and 100 metres. The NCA Refit Division offers refit services both on yachts produced by the Shipbuilding Division and on motor and sailing yachts made by third party manufacturers.

The operating segments have been identified by management, consistent with the applicable accounting standards and best practices.

In particular, the structure of the information corresponds to the structure of the reports periodically reviewed by the CEO for business management purposes.

Both Divisions operate mainly within the headquarter located in the Port of Marina di Carrara, where the Company has about 100,000 square metres of operational space, in addition to the main corporate functions.

BUSINESS CONTINUITY

The financial statements for the year ended 31 December 2022 were prepared with a view to the continuation of the company's business as there is a reasonable expectation that TISG S.p.A. will continue its operating activities in the foreseeable future (and in any case with a time horizon of more than twelve months). In particular, the following factors were taken into consideration:

1. the main risks and uncertainties (for the most part of external origin) to which TISG is exposed:
 - the changes in the general macroeconomic situation in the Italian, European and non-EU markets as well as the volatility of the financial markets of the "Eurozone" also as a result of: (i) the definitive exit of the United Kingdom from the EU; (ii) the evolution of the pandemic caused by the SARS-CoV-2 virus; (iii) the evolution of the conflict between Russia and Ukraine and the evolution of sanctions for the Russian Federation.
 - changes in business conditions, also in relation to competitive dynamics;
 - the outcomes of disputes and claims with regulatory authorities, competitors and other parties;
 - financial risks (trend in interest rates and/or exchange rates, inflation, changes in creditworthiness by rating agencies);

2. the mix considered to be optimal between risk capital and debt capital as well as the policy for the remuneration of the risk capital, as described in the Note "Shareholders' Equity";
3. the financial risk management policy (market risk, credit risk and liquidity risk), as described in the Note "Financial Risk Management".

On the basis of these factors, the company management believes that, at present, there are no elements of uncertainty on the outlook for business continuity for TISG S.p.A.

INTRODUCTION

The Italian Sea Group S.p.A. has adopted the International Financial Reporting Standards adopted by the European Union (IFRS), from 2014 onwards, with a date of transition to the IFRS (FTA) at 1 January 2013.

It should be noted that the IFRS are the accounting standards approved by the International Accounting Standards Board (IASB), adopted pursuant to Regulation (EC) no. 1606/2002.

At national level, the international accounting standards were implemented in our system with Legislative Decree no. 38/2005, containing a series of provisions aimed at harmonising the application of the standards in question with the domestic regulations on business income.

The choice by the Company to adopt the IFRS international accounting standards as reference standards for the preparation of its consolidated and separated financial statements offers the opportunity to compare the financial statement figures with those of its main competitors and to carry forward the process of internationalisation.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements at 31 December 2022 were prepared in compliance with the International Accounting Standards (IFRS), in force at the reporting date, issued by the International Accounting Standards Board and adopted by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The comparison between the figures of the statement of comprehensive income, the statement of financial position, the cash flow statement and the changes in shareholders' equity is always expressed in thousands of Euro, except in the cases indicated individually and otherwise, and is carried out with the corresponding values at 31 December 2021.

The accounting standards adopted in the preparation of these financial statements are consistent with those adopted in the preparation of the financial statements as at 31 December 2021.

IFRS means the revised international accounting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC), adopted by the European Union.

New accounting standards, amendments and interpretations applied from 1 January 2022

Pursuant to IAS 8 (Accounting Standards, changes in accounting estimates and errors), the IFRS in force as from 1 January 2022 are indicated and briefly described below:

The amendments are applicable from 1 January 2022 and had no impact on the financial statements or on the disclosure.

Early Adoption of the Principles and Amendments

The table below lists all the decisions with a mandatory effective date in future accounting years

Furthermore, at the date of these Financial Statements, the competent bodies of the European Union have concluded the endorsement process necessary for the adoption of the following accounting standards and amendments:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
IFRS 17 - Insurance Contracts (including amendments published in June 2020)	May 2017 June 2020	1 January 2023	19 November 2021	(EU) 2021/2036 23 November 2021
Definition of accounting estimates (Amendments to IAS 8)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Disclosure on accounting standards (Amendments to IAS 1)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12).	May 2021	1 January 2023	11 August 2022	(EU) 2022/1392 12 August 2022
First-time adoption of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	December 2021	1 January 2023	8 September 2022	(EU) 2022/1491 9 September 2022

The document published by the IASB includes amendments to the document "IFRS Practice Statements 2 - Making Materiality Judgements" that have not been endorsed by the European Union as they do not relate to an accounting standard or an interpretation.

Furthermore, at the date of these Financial Statements, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments:

Document title	Issue date by the IASB	Date of entry into force of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory deferral accounts	January 2014	1 January 2016	Approval process suspended pending the new accounting standard on "rate-regulated activities".
Amendments			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method	Endorsement process suspended pending the conclusion of the IASB project on the equity method
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1 January 2021	TBD
Lease liability in a sale and leaseback (Amendments to IFRS 16)	September 2022	1 January 2021	TBD

The Company will adopt these new standards, amendments and interpretations on the basis of the expected date of application and will assess their potential impacts when they are approved by the European Union.

In addition to the above rulings, in 2022 the IFRS Interpretations Committee issued several “agenda decisions”, which do not constitute a mandatory guideline. However, they report the reasons why the IFRIC did not include an item on its agenda (or did not report it to the IASB) and the way in which the IFRS obligations must be applied. The IFRS Foundation website states that the “agenda decisions” must be “useful, informative and persuasive”

In addition to the above, IFRIC has issued several decisions in the last 12 months. These policy decisions do not constitute official guidelines. The IFRS Foundation points out that such decisions “should be regarded as useful, informative and persuasive”. Entities preparing financial statements in accordance with IFRS are ultimately expected to take into account and adhere to policy decisions and this is the approach followed by securities market regulators around the world.

Accounting standards, amendments and interpretations not yet applied or applicable

There are numerous principles, amendments to the principles and interpretations that have been issued by the IASB which will be effective in future accounting years and that the company has decided not to apply early.

The following amendments are effective from 2022:

- Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37);
- Property, plant and equipment: Revenues earned before an asset is ready for its intended use (Amendments to IAS 16);
- Annual improvements to the 2018-2020 IFRS Standards (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to the conceptual framework (Amendments to IFRS 3).

The following amendments are effective from the financial year starting 1 January 2023:

- Communication of accounting standards (Amendments to IAS 1 and to IFRS Practice Statement 2 of IFRS);
- Definition of accounting estimates (Amendments to IAS 8); and
- Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that the classification as current or non-current is based on the consideration whether at the end of the year an entity has the right to defer payment of the liability for at least twelve months after the end of the year. The amendments also clarify that the word “payment” includes the transfer of cash, goods, services or equity instruments, unless the obligation to transfer equity instruments arises from a conversion item that is classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual periods beginning on or after 1 January 2023.

In response to feedback and questions from stakeholders, in December 2020, the IFRIC (the Committee) issued a provisional agenda decision, which analysed the applicability of the amendments to three scenarios. However, in the light of the feedback received and the various concerns raised about the outcome of the application of some aspects of the amendments, the Committee did not finalise the provisional decision agenda and referred the matter to the IASB. At its meeting in June 2021, the IASB provisionally decided to amend the obligations under IAS 1 regarding the classification of liabilities by subjecting it to conditions and the disclosure of information regarding these conditions and to postpone the effective date of the 2020 amendment by at least one year.

The company is currently evaluating the impact of these new accounting standards and amendments. The Company will assess the impact of the final amendments to IAS 1 on the classification of its liabilities once the latter are issued by the IASB. The Company does not believe that the amendments to IAS 1, in their current form, have a significant impact on the classification of its liabilities, since the conversion element of its convertible debt instruments is classified as an equity instrument and, therefore, it does not affect the classification of its convertible debt instruments as non-current liabilities.

The Company has not adopted in advance any standard, interpretation or improvement issued but not yet in force.

NON-CURRENT ASSETS

Intangible assets

Owned intangible assets acquired or produced internally are assets without physical substance recognised under assets, in accordance with IAS 38, only if identifiable, controllable, the cost of which can be determined reliably and to the extent that they are capable of producing future economic benefits.

Brands are considered assets with an indefinite useful life and, therefore, are not amortised, but are subject to impairment testing at least once a year, in accordance with IAS 36 - Impairment of Assets - ("impairment test") carried out at the level of the cash generating unit ("CGU") to which the company management attributes the brand. Any write-downs are not subject to subsequent write-backs.

The recoverability of these assets is verified when events or changes in circumstances suggest that the book value is not recoverable. The recoverability measurement is carried out for each cash generating unit, represented by the smallest identifiable set of assets that generates cash inflows largely independent from those generated by other assets. The definition of the CGUs is made by considering, among other things, the methods with which the management controls the operating activities (e.g., by business lines) or makes decisions about maintaining or disposing of the assets and activities of the company.

Cash generating units may include corporate assets, i.e., assets that do not generate autonomous cash flows, attributable on a reasonable and consistent basis. Corporate assets not attributable to a specific cash generating unit are allocated to a larger aggregate consisting of several cash generating units.

With reference to brands, the verification is carried out, at least annually or in any case when events occur that suggest a reduction in value, at the level of the smallest aggregate on the basis of which the Company Management assesses, directly or indirectly, the return on the investment that includes the brand itself.

The recoverability is verified by comparing the book value with the relative recoverable value represented by the higher of the fair value, net of disposal costs, and the value in use. The latter is determined by discounting the expected cash flows deriving from the use of the cash generating unit and, if significant and reasonably determinable, from its sale at the end of its useful life, net of disposal costs. The expected cash flows are determined on the basis of reasonable and supportable assumptions representative of the best estimate of the future economic conditions that will occur in the residual useful life of the cash generating unit, giving greater importance to the indications coming from the outside.

In order to determine the value in use, the expected cash flows are discounted at a rate that reflects the current market valuations of the time value of money and the

specific risks of the asset not reflected in the estimates of cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital ("WACC").

When the value of the cash generating unit, including brands, is higher than the recoverable value, the difference is written down. When the reasons for the write-down no longer apply, the assets are revalued and the adjustment is charged to the income statement; the write-back is carried out for an amount equal to the lower of the recoverable value and the carrying amount gross of the write-downs previously carried out.

Research costs are charged to the income statement in the period in which they are incurred.

Costs for the development of new products and manufacturing processes are capitalised and recognised under intangible assets only if all the following conditions are met:

- the project is clearly identified and the related costs can be reliably identified and measured;
- the technical feasibility of the project is demonstrated;
- the intention to complete the project and to sell the intangible assets generated by the project has been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset has been demonstrated;
- the technical and financial resources necessary for the completion of the project are available.

They are amortised over the period in which the expected future revenues will arise from the same project.

Tangible assets

Tangible assets are recognised in the financial statements at purchase cost, including any accessory charges, and are systematically depreciated each year on a straight-line basis over their estimated useful life.

Ordinary maintenance expenses are charged in full to the income statement, those of an incremental nature are charged to the asset to which they refer and are amortised in relation to the residual possibility of use of the same.

If the individual components of a complex tangible asset have a different useful life, they are recognised separately to be amortised in line with their useful life ("component approach").

Fixed assets under construction are valued at cost, including directly and indirectly attributable ancillary costs, only for the portion that can reasonably be attributed to them.

Tangible assets are depreciated on the basis of the economic-technical rates shown below, representative of the useful life:

DESCRIPTION	%
Buildings on land under concession Marina di Carrara	Expiry of the concession December 2043
Buildings on land under concession La Spezia	Concession expiry in February 2035
Buildings on land under concession Viareggio	Expiry of the concession December 2037
Plant and machinery	6.67%-10%
Equipment	10%-25%
Office furniture and machines	12%
Electronic machines	20%
Motor vehicles	20%

Impairment losses on non-financial assets

At each balance sheet date, tangible and intangible assets with finite useful lives are analysed for impairment indicators. If the presence of these indicators is identified, the recoverable value of the aforementioned assets is estimated, attributing any write-down of the book value to the income statement.

The recoverable value of an asset is the higher of its fair value, less costs to sell, and its value in use, meaning the present value of the estimated future cash flows for that asset. For an asset that does not generate largely independent cash flows, the realisable value is determined in relation to the cash generating unit to which the asset belongs.

In determining the value in use, the expected future cash flows are discounted with a discount rate that reflects the current market valuation of the cost of money, in relation to the period of the investment and the specific risks of the asset. An impairment loss is recognised in the income statement when the carrying amount of the asset is higher than the recoverable amount. If the conditions for a previous write-down no longer apply, the book value of the asset, with the exception of goodwill, is reinstated with recognition in the income statement, within the limits of the net book value that the asset in question would have had if it had not been for the write-down and depreciation carried out.

Equity investments

Non-current financial assets include equity investments, valued at cost, which is reduced for impairment. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Right Of Use - Lease liabilities

The Company holds tangible assets used in carrying out its business activities, through lease agreements. At the start date of the lease, the Company determines whether the contract is, or contains, a lease. The Company identifies a lease agreement according to the definition provided for by IFRS 16, when the agreement transfers the right to control the use of an underlying asset for a period of time in exchange for a consideration. For lease agreements, the Company recognises an asset consisting of the right-of-use asset and a lease liability at the start date of the agreement (i.e., the date on which the underlying asset is available for use).

The Right-Of-Use consists in the lessee's right to use the underlying asset for the duration of the lease; its initial measurement is at cost, which includes the initial amount of the lease liability adjusted for all payments due for the lease made on the effective date or previously net of the lease incentives received, plus any initial direct costs incurred and an estimate of the costs for the dismantling and removal of the underlying asset and for the restoration of the underlying asset or site where it is located. After initial recognition, the right-of-use is amortised on a straight-line basis over the duration of the lease agreement.

The lease liability is initially measured at the present value of the lease payments due over the term of the lease. In calculating the present value of the lease payments, the Company uses the lessee's marginal borrowing rate at the start date of the lease when the implicit interest rate of the lease cannot be easily determined.

The variable payments due for the lease that do not depend on an index or a rate are recognised as costs in the period in which the event or circumstance that triggers the payments occurs. After the commencement date, the lease liability is measured at amortised cost using the effective interest rate method and restated when certain events occur.

The Company applies the exception to the recognition envisaged for short-term leases to its agreements with a duration equal to or less than 12 months from the effective date. It also applies the exception to the recognition envisaged for leases in which the underlying asset is of "modest value" and whose amount is estimated as not significant.

CURRENT ASSETS

Inventories

Inventories are recorded at the lower of purchase or production cost and the net realisable value represented by the amount that the company expects to obtain from their sale in the ordinary course of business, net of selling costs. The cost of inventories of raw materials and consumables as well as finished products and goods is determined by applying the weighted average cost method. The cost of production includes raw materials, the cost of direct labour and other production costs (based on normal operating capacity). Financial charges are not included in the valuation of inventories.

Materials with slow turnover or otherwise no longer reusable in the normal production cycle are adequately written down to align the value with the net realisable value.

Assets and liabilities from contract work in progress

Assets and liabilities from contract work in progress (hereinafter also "contracts") are recognised at the value of the agreed contractual considerations, according to the percentage of completion method, taking into account the percentage of completion method, the progress achieved and the expected contractual risks. The work progress is measured with the so-called input method with reference to the contract costs incurred at the reporting date in relation to the total estimated costs for the contract (so-called "cost-to-cost").

If it is expected that the completion of a contract may result in a loss, this is recognised in its entirety in the year in which the same becomes reasonably foreseeable.

Contract orders are stated considering the costs incurred plus the margins recognised, less any expected losses, net of invoicing for work in progress.

This analysis is carried out on a contract-by-contract basis. If the differential is positive, the imbalance is classified as an asset under the item "assets from contract work in progress"; if, on the other hand, this differential is negative, the difference is classified as a liability under the item "Liabilities from contract work in progress".

For the purpose of a better presentation of the financial statements, the Directors decided to reclassify also the comparative data at 31 December 2021 so as to make the data comparable and to facilitate the reading of the financial statements for the users.

Trade receivables and other assets

Trade receivables and other current and non-current receivables are financial instruments, mainly relating to receivables from customers, not derivatives and not listed in an active market, from which fixed or determinable payments are expected.

Trade receivables and other receivables are classified in the balance sheet under current assets, with the exception of those with a contractual maturity of more than twelve months from the reporting date, which are classified under non-current assets. These financial assets are recorded in the balance sheet assets when the Company becomes a party to the contracts connected to them and are eliminated from the balance sheet assets, when the right to receive the cash flows is transferred together with all the risks and benefits associated with the business sold. Trade receivables and other current and non-current receivables are originally recognised at their fair value and, subsequently, at amortised cost, using the effective interest rate, reduced for impairment. The amount of the write-down is measured as the difference between the book value of the asset and the present value of expected future cash flows. The value of the receivables is shown in the financial statements net of the related bad debt provision.

Trade receivables and other current and non-current receivables are eliminated from the statement of financial position when the right to receive the cash flows is extinguished and all the risks and benefits associated with the holding of the asset are substantially transferred (referred to as "derecognition") or if the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed.

The approach adopted for the recognition of loan losses is prospective, focused on estimating the probability of future losses on loans, even in the absence of events that suggest the need to write down a credit position ("expected losses"). Although the provision allocated is deemed adequate, the use of different assumptions or the change in economic conditions, even more so in this period characterised by a negative economic situation, could be reflected in changes in the provision for credit risks.

Cash and cash equivalents

The item related to Cash and cash equivalents includes cash and bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity, which are readily convertible into cash and are subject to an insignificant risk of change in value.

NON-CURRENT LIABILITIES

Provisions for risks and charges

Provisions for risks and charges relate to costs and charges of a determined nature and of certain or probable existence, whose amount or date of occurrence is undetermined at the end of the year. Provisions are recognised when: i) the existence of a current legal or implicit obligation deriving from a past event is likely; ii) it is probable that the fulfilment of the obligation will be onerous; iii) the amount of the obligation can be reliably estimated.

Provisions are recognised at the value representing the best estimate of the amount that the company would rationally pay to extinguish the obligation or to transfer it to third parties at the end of the year; provisions relating to onerous contracts are recognised at the lower of the cost necessary to fulfil the obligation, net of the expected economic benefits deriving from the contract, and the cost of terminating the contract.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows determined taking into account the risks associated with the obligation at the average rate of the company's debt; the increase in the provision related to the passing of time is recognised in the income statement under "Financial charges".

Risks for which the occurrence of a liability is only "possible" are indicated in the appropriate disclosure section on commitments and risks and no provision is made for the same.

Contingent assets and liabilities

Contingent liabilities consist of:

- a) "possible" obligations that arise from events that occurred before the financial statements date and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the Company's control; or
- b) from current obligations that arise from events before the financial statements date but are not recognised because:
 - i. it is not probable that the liability will require an outflow of resources from the action of settling the obligation; or
 - ii. the amount of the obligation may not be estimated with sufficient accuracy.

Contingent assets are represented by assets that derived from events that occurred before the financial statements date and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not fully under the Company's control.

Contingent assets and liabilities are not recognised in the financial statements but are described in the explanatory notes.

Employee benefits (Post-employment plans)

The Company's employees benefit from pension and other post-employment plans. The pension plans in which the Company is required to participate by Italian law are defined contribution plans, while other post-employment benefit plans, in which the company generally participates by virtue of collective employment agreements, are defined benefit plans. Payments relating to defined contribution plans made by the Company are recognised in the income statement as a cost when incurred. Defined benefit plans are based on the working life of employees and on the remuneration received by employees during a predetermined period of service.

With the adoption of IFRS, the severance pay accrued up to 31 December 2006 is therefore considered as a defined benefit obligation.

On 16 June 2011, the IASB issued an amendment to IAS 19 - Employee Benefits, which eliminates the option of deferring the recognition of actuarial gains and losses with the corridor method, requiring the presentation in the statement of financial position of the deficit or surplus of the provision, and the recognition of the cost components linked to the work performance and the net financial charges in the income statement, and the recognition of the actuarial gains and losses deriving from the remeasurement of liabilities and assets under "Other comprehensive income/(losses)". In addition, the return on assets included under net financial charges must be calculated based on the discount rate of the liability and no longer on the expected return on the assets.

Financial liabilities

Financial liabilities relating to loans and other obligations to pay other than derivatives, after initial recognition at fair value, are measured using the amortised cost method, net of principal repayments already made.

Payables and other liabilities are classified as current liabilities, unless the Company has the contractual right to settle its obligations at least after twelve months from the date of the financial statements. Financial liabilities are

eliminated when they are extinguished, or when the obligation specified in the contract is fulfilled, cancelled or expired.

Derivatives

Derivative financial instruments meet the criteria for classification as instruments of coverage and thus the relationship with the item being hedged is documented, including the risk management objectives, the hedging strategy and the methods to assess effectiveness.

The effectiveness of each hedge is verified both at the initiation of each derivative instrument and during its life.

In the case of hedging aimed at neutralising the risk of changes in future cash flows originating from the future execution of transactions expected to be highly probable at the reporting date (cash flow hedge), the changes in the fair value of the derivative instrument recorded after the first recognition are accounted for, limited only to the effective portion, among the components of the comprehensive profit and loss.

CURRENT LIABILITIES

Financial liabilities (excluding derivative financial instruments), trade payables and other payables are initially recognised at fair value, net of directly attributable accessory costs, and are subsequently measured at amortised cost, applying the effective interest rate criterion. If there is an estimated change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined.

Financial liabilities are classified under current liabilities, unless the Company has an unconditional right to defer their payment for at least 12 months after the reference date. Financial liabilities are derecognised from the financial statements when they are extinguished and when the Company has transferred all risks and charges relating to the instrument.

REVENUES

Revenues represent the gross cash flows of economic benefits for the year deriving from the performance of ordinary activities. Fees collected on behalf of third parties such as sales taxes, taxes on third-party assets and value added tax are not and are therefore excluded from revenues.

The process underlying the recognition of revenues follows the steps envisaged by IFRS 15:

- 1) contract identification: this occurs when the parties approve the contract (with commercial substance) and identify their respective rights and obligations: in other words, the contract must be legally binding, the rights to receive goods and/or services can be clearly identified and in terms of payment and the company deems it probable that the payment will be received;
- 2) identification of performance obligations: the main performance obligations identified, i.e., promises to transfer goods and services that are distinct, are the sale of yachts and refit services;
- 3) determination of the transaction price: this is the total amount contracted with the counterparty, having regard for the entire duration of the contract; the company has defined the contractual duration as that deriving from the time required to build the yacht;
- 4) allocation of the transaction price to the performance obligations: the allocation takes place in proportion to the progress of the work on the yachts;
- 5) revenue recognition: revenue is represented net of discounts, allowances, returns and recognised in relation to the characteristics of the type of revenue.

The sale of a yacht complies with the requirements for the transfer of control and the fulfilment of the performance obligation over the period of time of construction of the yacht ("over time"). In particular, the yachts are built on specific customer requirements and the company has contractual rights that protect the recognition of the margin of the service completed up to the date in question. At the signing of the contract, the customer pays the Company an amount as an advance payment which, in the event of renouncement to the purchase of the yacht, may be retained and included in the revenues.

Revenues and related costs are recognised over time, i.e., before the goods are delivered to the customer. Progress made is measured using the cost-to-cost method and costs are recognised in the income statement when incurred.

Invoices are issued according to the conditions set forth in the contract for each individual unit. In particular, a payment on account is established at the start of

the contract, and invoices are subsequently issued on the achievement of specific partial completion stages (SALs).

By way of example (but not exhaustive as it depends on the type of contract), invoices are issued:

- upon signing the contract;
- upon completion of the hull, deck and superstructure;
- upon completion of the internal subdivision, rough finish;
- upon boarding of the main engines;
- upon completion of the works, when the ship is ready for delivery; at the same time the "Test and Acceptance Report" and the "Transfer of Ownership Deed" are signed.

It is estimated that a large part of the price of a yacht is paid, on average, by way of advance payment and in subsequent instalments during the course of the work in progress on the contract as shown above, while only a residual portion is settled upon final delivery of the unit.

Financial income

Interest income is recognised in accordance with the accrual principle, considering the actual return.

Accounting for government grants

Government grants are those that take the form of transfers of resources to an entity provided that it has complied with, or undertakes to comply with, certain conditions relating to its operating activities. Non-repayable loans are loans for which the lender undertakes to waive repayment in the event of established conditions.

COSTS

Costs are charged to the income statement when the amount can be determined objectively and when in the substance of the transaction it can be ascertained that the company has incurred these costs on an accrual basis.

Financial charges

Financial charges are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest method and exchange rate differences.

Dividends

Dividends payable are represented as changes in shareholders' equity in the year in which they are approved by the Shareholders' Meeting.

Taxes

Current taxes are set aside in accordance with the applicable regulations, based on an estimate of taxable income. Payables for current taxes are recorded in the balance sheet under current liabilities under the item "Tax payables" net of advances paid and withholding taxes. If there is a credit balance, the amount is shown under "Sundry receivables and other assets" under current assets.

Prepaid and deferred income taxes are calculated on the timing differences between the values of assets and liabilities determined according to statutory criteria and the corresponding values recognised for tax purposes. The valuation is made on the basis of the tax rates expected to be applied in the year in which these differences will be realised or extinguished and therefore will contribute to the formation of the tax result, considering the rates in force or those already issued at the reference date of the financial statements.

Deferred tax assets are recognised for all deductible timing differences, to the extent that it is probable that in the reversal period taxable income will be available against which said differences can be used. On the other hand, deferred taxes are recognised on all taxable timing differences, unless there is little likelihood that the related "payable" will arise.

Deferred tax assets and deferred tax liabilities are stated net under non-current assets or liabilities, as they refer to the same Revenue Agency.

Criteria for conversion of foreign currency items (not in the Eurozone)

Receivables and payables expressed in foreign currency are originally recognised on the basis of the exchange rates in force on the date on which they arose and, if existing at the end of the reporting period, are appropriately stated in the financial statements at the exchange rate in force at the end of the period, by crediting or debiting exchange gains or losses to the income statement.

Exchange rate differences are of a financial nature and as such are recognised in the income statement as financial income components, as they are not related to the commercial transaction in the strict sense, but express the changes over time - once the commercial transaction is concluded - of the currency chosen for the negotiation.

There are no significant effects to report from changes in exchange rates after the end of the year.

Use of estimates

The preparation of the financial statements requires the application of accounting standards and methods that, in certain circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic according to the relative circumstances.

The application of these estimates and assumptions affects the amounts reported in the financial statements, such as the statement of financial position, the statement of comprehensive income and the cash flow statement, as well as the information provided.

The final results of the financial statement items for which the aforementioned estimates and assumptions were used may differ from those reported in the financial statements that record the effects of the occurrence of the event subject to estimate, due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

The accounting standards that require greater subjectivity in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data are briefly described.

In particular, it is believed that the items most subject to this subjectivity are:

- *Deferred tax assets*: Deferred tax assets are accounted for on the basis of expectations of taxable income in future years. The valuation of expected taxable income for the purposes of accounting for deferred tax assets

depends on factors that may vary over time and determine significant effects on the recoverability of deferred tax assets.

- *Valuation of the ADMIRAL and TECNOMAR brands:* intangible assets with an indefinite useful life are not amortised; the recoverability of their book value is checked at least annually and in any case when events occur that suggest a reduction in value, based on an impairment test based on estimates and assumptions by management.
- *Recognition of revenues from contract work in progress:* Similarly to other large multi-year contracts, the contract for the construction of a yacht or a ferry precedes the realisation of the product, sometimes by a very substantial period of time. There are few cases of contractual price revision formulas, although there is the possibility of obtaining extra-prices for additions and variations, limited to cases of significant changes in the scope of supply. The margins that are expected to be recognised on the entire work on completion are recognised in the income statements of the relevant years based on progress; the correct recognition of the work in progress and of the margins relating to works not yet completed thus presupposes the correct estimate by the management of the costs to completion, of the assumed increases, and also of the delays, extra costs and penalties that could reduce the expected margin. To better support the estimates, management uses contract risk management and analysis schemes to monitor and quantify the risks related to the performance of these contracts. The values recorded in the financial statements represent the best estimate at the date made by management, with the help of said procedural supports.
- *Provisions for risks and charges:* Provisions representing the risk of a negative outcome are recognised for legal and tax risks and disputes. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate, to date, made by the company management. This estimate derives from the adoption of assumptions that depend on factors and circumstances that may change over time.

COMMENTS ON THE MAIN ASSET ITEMS

NOTE 1 - BRANDS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Brands	34,685	3,554	31,131
TOTAL	34,685	3,554	31,131

<i>in thousands of Euro</i>	Admiral brand	Tecnomar brand	Perini brand	Picchiotti brand	Total
Net Book Value 31.12.2021	2,319	1,235	0	0	3,554
Investments	-	-	30,351	825	31,176
Net decreases	-	-	-	-	-
Depreciation	-	-	-	45	45
Net Book Value 31.12.2022	2,319	1,235	30,351	780	34,685

Trademarks: This item, amounting to Euro 34,685 thousand as at 31 December 2022, increased by Euro 31,131 thousand compared to 31 December 2021, following the acquisition of the Perini and Picchiotti brands included in the Perini Navi S.p.A. business complex.

Based on the results of the "Purchase Price Allocation - PPA", carried out in order to define the allocation of the sale price of the business complex to the various assets, a value of Euro 30,351 thousand was attributed to the Perini Navi brand and a value of approximately Euro 825 thousand to the Picchiotti brand.

The remaining item is composed of Euro 2,319 thousand for the purchase cost of the Admiral brand, incurred by The Italian Sea Group S.p.A. in 2011 and for Euro 1,235 thousand, from the purchase of the TECNOMAR brand from CELI S.r.l., which took place in December 2019; both trademarks were considered to have an indefinite useful life.

Contrary to what is envisaged for the Perini Navi brand, the Picchiotti brand has been measured at finite useful life and, consequently, amortised over a period of 18 years (depreciation in 2022 equals Euro 45 thousand).

Brands are tested for impairment indicators at least once a year. If the test shows an impairment loss, the Company records a corresponding write-down in the financial statements. This test was based on the comparison between the recoverable value of the brands and their book value posted in the financial statements.

The company has identified five CGUs (Cash Generating Units) corresponding to the five brands through which the company operated during the year ended 31/12/2022: Admiral, TECNOMAR, Perini, Picchiotti and NCA Refit (internally generated brand with no net book value and therefore not subjected to impairment test).

Pursuant to the applicable accounting regulations, the “recoverable amount” of the asset is equal to the higher of the “fair value net of disposal costs” and the “value in use”. The estimate of the value in use was carried out, in compliance with IAS 36, applying the principles of valuation best practice, by discounting the expected cash flows. The various expected cash flows, broken down by brand, are summarised in an average normal flow determined starting from the prospective data reported in the 2023-2026 Business Plan, approved by TISG's Board of Directors on 24 January 2023.

The 2023-2026 Business Plan incorporates some assessments on potential risk elements as well as counter-action and response actions.

The cost of capital used to discount the forecast cash flows of the estimated value of the CGU:

- It was estimated using the Capital Asset Pricing Model, which is an application criterion of general acceptance referred to in IAS 36;
- It reflects current market estimates of the time value of money and the specific risks of groups of assets;
- It was calculated using comparative market parameters to estimate the “beta coefficient” and the weighting coefficient of the equity and debt capital components;
- It takes into account the impacts deriving from the application of the new IFRS 16 standard.

With reference to the two CGUs subjected to impairment, we report:

- The weighted average cost of capital used to discount forecast cash flows (so-called WACC) of 10.70%;

The results of the impairment tests on TISG's brands were approved by the Board of Directors on 24 January 2023.

In light of all the above elements, no impairment losses occurred in 2022; therefore, the book values are confirmed.

NOTE 2 – OTHER INTANGIBLE ASSETS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Development costs	1,030	863	167
TOTAL	1,030	863	167

Projects: the item, equal to Euro 1,030 thousand at 31 December 2022, up by Euro 167 thousand compared to 31 December 2021, net of amortisation, due to the registration of the patents deriving from the acquisition of the Perini Navi S.p.A. business complex includes the Company's investments in the development of strategic projects, amortised over an estimated useful life of 5 years. In particular, for the recognition of these amounts in the financial statements, it emerged that, with regard to these projects:

- they were clearly identified and the related costs are reliably identifiable and measurable;
- their technical feasibility had been demonstrated;
- the intention to complete the projects and sell the intangible assets generated by the project had been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset has been demonstrated;
- the technical and financial resources necessary for the completion of the project are available.

Details of the type of project that make up this item are shown below:

<i>in thousands of Euro</i>	Tecnomar for Lamborghini	Total
Net Book Value 31.12.2021	863	863
<i>Changes in 2022</i>		
Investments	579	579
Net decreases	0	0
Depreciation	(412)	(412)
Net Book Value 31.12.2022	1,030	1,030

NOTE 3 - LAND AND BUILDINGS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Land and buildings	5,402	1,479	3,923
Buildings on land under concession	32,952	34,515	(1,563)
TOTAL	38,354	35,994	2,360

This item, totalling Euro 38,354 thousand as at 31 December 2022, increased by Euro 2,360 thousand compared to the previous year 2021, as a result of the acquisition of the Perini Navi S.p.A. business complex. The relevant increases are listed below:

- LAND of Euro 1,275 thousand (La Spezia land Euro 1,200 thousand, Pisa land Euro 75 thousand);
- BUILDINGS La Spezia of Euro 2,650 thousand

Changes in this item during the twelve months of 2022 are shown below:

<i>in thousands of Euro</i>	Land and buildings	Buildings on land under concession	Total
Historical cost	3,029	44,629	47,658
Depreciation provision	1,550	10,114	11,664
Net Book Value 31.12.2021	1,479	34,515	35,994
Changes in 2022			
Investments	4,075	0	4,075
Decreases	0	0	0
Transfers Work in progress and payments on account	0	0	0
Chg. Historical cost 2022	4,075	0	4,075
Depreciation	152	1,564	1,716
Release of Depreciation provision	0	0	0
Chg. Depreciation provision 2022	152	1,564	1,716
Historical cost	7,104	44,629	51,733
Depreciation provision	1,702	11,678	13,379
Net Book Value 31.12.2022	5,402	33,951	38,354

NOTE 4 - PLANT, MACHINERY AND EQUIPMENT

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Work in progress and payments on account	26,028	8,409	17,619
Industrial and commercial equipment	6,056	2,154	3,902
Plant and machinery	15,528	16,588	(1,060)
Moulds	1,570	1,557	13
TOTAL	49,182	28,708	20,474

Work in progress and payments on account: amounting to Euro 26,028 thousand at 31 December 2022, increasing by Euro 17,619 thousand compared to 31 December 2021, mainly related to works in progress for the construction of:

TISG 4.0 investments : at 31 December 2022 the company made investments, still in progress, for the project for a total of Euro 9,451 thousand. In 2022, the coverage of the entire historic dry-dock built in 1973 was completed. Investments for the project will end in the first half of 2023.

TISG 4.1 investments : at 31 December 2022, the company made investments, still in progress, for the project in question for a total of Euro 14,267 thousand. The investments concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. In detail, the investment involves the expansion of the shed located near the original basin, as well as of a number of structures and systems. This will allow the number of ships under construction to be expanded by 4 units. The main interventions are listed below:

- Demolition of a metal shed 86x25 meters approximately, used as a support warehouse for naval refit activities;
- Expansion of the existing construction basin cover shed (No. 5) through the construction of a new shed with a reinforced concrete structure, about 38 meters wide with a span and a width of 174 meters and a height of 25 meters, used for the construction and outfitting of pleasure yachts up to 90 meters long;
- Extension of the eastern quay;
- Construction of a single-storey box above ground with a metal structure adjacent to the sheds no. 5 and no. 6 instead of the planned 4-storey structure.

The new part being enlarged will allow the simultaneous construction of further 4 yachts of 60/70 meters in length, compared to the current logistical availability of the yard.

Investments for the project will end in the first half of 2023.

Industrial and commercial equipment: this item amounted to Euro 6,056 thousand as at 31 December 2022, up by Euro 3,902 thousand, compared with the year 2021, due to the acquisition of the assets included in the Perini Navi complex and net of depreciation for the period. In particular, note the amount of the Syncrolift plant in Viareggio recorded for Euro 2,332 thousand.

Plant and machinery: this item, amounting to Euro 15,528 thousand as at 31 December 2022, decreased compared to the previous year 2021 by Euro 1,060 thousand, due to the depreciation for the period.

Moulds: this item, amounting to Euro 1,570 thousand as of 31 December 2022, increased, compared to 2021, by Euro 13 thousand net of the depreciation for the year.

The changes that took place during the year are shown below:

<i>in thousands of Euro</i>	Work in progress and payments on account	Industrial and commercial equipment	Plant and machinery	Moulds	Total
Historical cost	8,409	8,979	42,077	5,028	64,493
Depreciation provision	0	6,825	25,489	3,471	35,785
Net Book Value 31.12.2021	8,409	2,154	16,588	1,557	28,708
Changes in 2022					
Investments	19,912	5,137	700	223	25,972
Decreases	0	0	0	0	0
Transfers	(2,293)	0	0	0	(2,293)
Chg. Historical cost 2022	17,619	5,137	700	223	23,679
Depreciation	0	1,234	1,760	210	3,204
Release of Depreciation provision	0	0		0	0
Chg. Depreciation provision 2022	0	1,234	1,760	210	3,204
Historical cost	26,028	14,115	42,777	5,251	88,171
Depreciation provision	0	8,059	27,249	3,681	38,989
Net Book Value 31.12.2022	26,028	6,056	15,528	1,570	49,182

NOTE 5 - OTHER TANGIBLE ASSETS

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Office furniture and machines	1,419	1,496	(77)
Motor Vehicles	162	143	19
Transport vehicles	3	3	0
Electronic office machines	19	0	19
TOTAL	1,603	1,642	(39)

This item amounted to Euro 1,603 thousand at 31 December 2022, decreasing by Euro 39 thousand from 2021, net of depreciation for the year.

The item Motor Vehicles increased for 19 thousand and the item Electronic office machines for 19 thousand, due to new investments.

<i>in thousands of Euro</i>	Office furniture and machines	Motor Vehicles	Transport vehicles	Total
Historical cost	4,605	368	225	5,198
Depreciation provision	3,109	225	222	3,556
Net Book Value 31.12.2021	1,496	143	3	1,642
Changes in 2022				
Investments	264	61	0	325
Decreases	0	0	0	0
Transfers	0	0	0	0
Chg. Historical cost 2022	264	61	0	325
Depreciation	322	42	0	364
Release of Depreciation provision	0	0	0	0
Chg. Depreciation provision 2022	322	42	0	364
Historical cost	4,869	429	225	5,523
Depreciation provision	3,431	267	222	3,920
Net Book Value 31.12.2022	1,438	162	3	1,603

NOTE 6 - RIGHT-OF-USE

The changes in this item are detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Right Of Use - Plant and Machinery	853	453	400
Right Of Use - Motor Vehicles	3,210	2,221	989
Right Of Use - Buildings under state concession	42,014	6,215	35,799
TOTAL	46,077	8,889	37,188

The item Right-Of-Use ("ROU") includes the recognition under tangible fixed assets of the rights of use of the assets held by the company under lease agreements, in accordance with the provisions of IFRS 16.

The item ROU plant and machinery, equal to Euro 853 thousand as at 31 December 2022, up by Euro 400 thousand compared to 31 December 2021, includes the leases for an electrical substation located in La Spezia, an electrical substation serving the east quay in Marina di Carrara and the purchase of a 4-wheel brushing machine.

The item ROU - Motor Vehicles, equal to Euro 3,210 thousand as at 31 December 2022, up by Euro 989 thousand compared to 31 December 2021, includes the leases of the motor vehicles that make up the corporate fleet, which increased as a result of new contracts signed in the year net of amortisation for the period.

The item ROU Buildings held under state concession, amounting to Euro 42,014 thousand as at 31 December 2022, refers to the recognition of the discounted value of the state concessions relating to Marina di Carrara (concession expiring in December 2043), La Spezia (concession expiring in February 2035), Viareggio (concession expires in December 2037).

The table of changes is shown below:

<i>in thousands of Euro</i>	Right Of Use Motor Vehicles	Right Of Use Plant and Machinery	Right Of Use Buildings	Right Of Use Buildings under state concession	Total
Historical cost	2,917	1,149	0	7,851	11,917
Depreciation provision	695	697	0	1,635	3,027
Net Book Value 31.12.2021	2,221	453	0	6,215	8,889
Changes in 2022					
Investments	1,690	690	0	38,875	41,255
Decreases	0	0	0	0	0
Transfers	0	0	0	0	0
Chg. Historical cost 2022	1,690	690	0	38,875	41,255
Depreciation	781	290	0	3,076	4,147
Release of Depreciation provision	80	0	0	0	80
Chg. Depreciation provision 2022	701	290	0	3,076	4,067
Historical cost	4,607	1,839	0	46,726	53,172
Depreciation provision	1,396	987	0	4,711	7,094
Net Book Value 31.12.2022	3,210	853	0	42,014	46,077

NOTE 7 - EQUITY INVESTMENTS

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Equity investments in subsidiaries	446	10	436
Equity investments in other companies	43	43	0
TOTAL	489	53	436

The item "equity investments in subsidiaries" includes the shareholding (100%) in Perini Navi USA Inc. for a value of Euro 294 thousand and the equity investment (100%) in TISG Turkey Yat Tersanecilik Anonim Sirketi, acquired in July 2022 from the parent company GC Holding S.p.a. for a value of Euro 152 thousand.

The item "equity investments in other companies" includes the amount relating to the purchase of 250 shares, equal to 2.5% of the total share capital, of TISG Asia Limited, based in Hong Kong, carried out in 2017. TISG Asia Limited currently operates as the Company's broker in the Asian market.

NOTE 8 - OTHER NON-CURRENT ASSETS

This item is composed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Non-current security deposits	165	55	110
Other securities	2,950	364	2,586
Receivables from the subsidiary	133	0	133
Receivables from CELI for long-term tax transaction	3,328	3,803	(475)
TOTAL	6,576	4,222	2,354

The item, which increased by Euro 2,354 thousand, compared to 2021, is represented as follows:

- **Security deposits** : this item, amounting to Euro 165 thousand, increased by Euro 110 thousand due essentially to the advances paid in relation to the construction of the photovoltaic plant in Marina di Carrara.
- **Other securities**: recorded for Euro 2,950 thousand as at 31 December 2022, the item, which increased by Euro 2,586 thousand compared to 31 December 2021, is due to the recognition of the fair value of derivative financial instruments hedging existing loans for Euro 2,358 thousand as at 31 December 2022.
- **Receivables from the subsidiary**: Recorded for Euro 133 thousand, referring to a receivable from the subsidiary TISG Turkey.

- **Receivables from CELL:** the item refers to the long-term portion of the receivable arising from the related company CELL as part of the Tax Settlement signed by CELL and TISG with the Revenue Agency in October 2020, for which TISG has already advanced Euro 8,080 thousand to the Revenue Agency on behalf of CELL. This amount will be repaid by CELL to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per year, starting from 30 June 2021 until 31 December 2030.

NOTE 9 - CASH AND CASH EQUIVALENTS

The item can be broken down as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Bank and post office deposits	81,127	85,604	(4,477)
Cash	1	1	0
TOTAL	81,128	85,605	(4,477)

The item Bank and post office deposits at 31 December 2022 amounted to a total of Euro 81,127 thousand, a decrease of Euro 4,477 thousand compared to 31 December 2021. For more details on the change, please see the cash flow statement.

NOTE 10 – TRADE RECEIVABLES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Receivables from customers	21,469	10,236	11,233
TOTAL	21,469	10,236	11,233

Receivables from customers, amounting to Euro 21,469 thousand, increased by Euro 11,233 thousand compared to 31 December 2021, mainly arose from commercial transactions related to the progress of production orders and refit services. Recognition in the financial statements is carried out at their estimated realisable value.

Changes in the bad debt provision are shown below:

<i>in thousands of Euro</i>	31.12.2021	Provision made	Provision used	31.12.2022	Changes
Bad debt provision (trade receivables)	(460)	450	0	(910)	(450)
Bad debt provision (competition procedures)	(371)	0	0	(371)	0
TOTAL	(831)	450	0	(1,281)	(450)

The provision existing at the end of the year represents an estimate of the probability of future losses on receivables, based on the experience gained and knowledge of the credit situation of the counterparties, even in the absence of events that indicate the need to write down certain credit positions.

NOTE 11 - OTHER RECEIVABLES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Advances to suppliers	2,486	1,584	902
Receivables from subsidiaries	0	8,010	(8,010)
Receivables from parent companies	67	67	0
Tax receivables	3,403	687	2,716
TOTAL	5,956	10,348	(4,392)

The item **Advances to suppliers**, amounting to Euro 2,486 thousand at 31 December 2022, increased by Euro 902 thousand compared to 31 December 2021, includes advances paid to suppliers with whom tender contracts were signed for work in progress.

The **Receivable from subsidiaries**, decreased at 31 December 2021 by Euro 8,010 thousand, refers to the amount that TISG has granted to New Sail S.r.l. for its participation in the bankruptcy auction for the purchase of the Perini Navi S.p.A. business complex. This amount was reduced to zero following the merger by incorporation of New Sail in TISG.

The **Receivable from parent companies**, recognised at 31 December 2022 for Euro 67 thousand, refers to payments made by TISG on behalf of the parent company GC Holding S.p.A.

Tax receivables: this item, amounting to Euro 3,403 thousand as at 31 December 2022, increased by Euro 2,716 thousand compared to 31 December 2021 and mainly refers to the VAT credit due to TISG from the Tax Authorities.

NOTE 12 – ASSETS AND LIABILITIES FROM CONTRACT WORK IN PROGRESS

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Assets from contract work in progress	49,468	41,336	8,132
Liabilities from contract work in progress	(16,800)	(16,345)	455
TOTAL	32,668	24,991	7,677

The item "assets from contract work in progress", amounting to Euro 32,668 thousand, includes construction contracts whose progress is higher than the amount invoiced to the customer. Compared to 31 December 2021, this item increased by Euro 7,677 thousand. This increase is mainly attributable to the trend of the order curves.

The item "liabilities from contract work in progress", equal to Euro 16,800 thousand, includes contracts for which the value of payments on account invoiced to the customer are higher than

the work progress. Compared to 31 December 2021, an increase of approximately Euro 455 thousand was recorded.

The net values reflect the valuations of contracts in progress and show an increase compared to the previous year, due to the normal progress of production with respect to the invoicing of SALs.

The progress is determined by the costs incurred plus the margins recognised and net of any amount already invoiced.

The development of this item at 31 December 2022 and at 31 December 2021 for yachts under contract is shown below:

<i>in thousands of Euro</i> 31.12.2021	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	807,726	305,475	(281,087)	24,388
Refitting orders	18,948	9,934	(9,331)	603
Total	826,674	315,409	(290,418)	24,991

<i>in thousands of Euro</i> 31.12.2022	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	1,003,357	426,312	(397,525)	28,788
Refitting orders	34,208	24,100	(20,220)	3,880
Total	1,037,565	450,412	(417,745)	32,668

As at 31 December 2022, there were 31 yachts (including 13 Tecnomar for Lamborghini 63 motor yachts) in production to order, with Refit services being carried out on 10 yachts.

NOTE 13 - INVENTORIES

This item is composed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Raw materials, supplies and consumables	340	276	64
Work in progress and semi-finished products	3,233	974	2,259
Finished products and goods	0	0	0
TOTAL	3,573	1,250	2,323

The item **Raw materials, supplies and consumables**, amounting to Euro 340 thousand, increased by Euro 64 thousand compared to 2021, refers to the amount of inventories of the general warehouse of TISG and the internal laboratories.

Work in progress and semi-finished products as at 31 December 2022 amounted to Euro 3,233 thousand, with an increase of Euro 2,259 thousand compared to 31 December 2021, mainly referring to the hull of a 47-meter sailing yacht, currently under construction, acquired within the Perini Navi S.p.A. business complex, for approximately Euro 2,100 thousand, and for the remaining Euro 1,200 thousand as a result of the capitalisation of costs incurred for the construction of hulls for orders for which sales negotiations are underway.

NOTE 14 - OTHER CURRENT ASSETS

The breakdown of other current assets is shown below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Receivables from social security and tax authorities	38	33	5
Due from others (net of the related write-down provision)	113	92	21
Receivables from GFM	143	144	(1)
Receivables from CANTALUPI Corrente	0	450	(450)
Receivables from Tekno Consulting	10	0	10
Receivables from CELI for tax transaction	475	475	0
Receivables from insurance companies	36	0	36
Prepaid expenses	1,963	1,190	773
TOTAL	2,778	2,384	394

Receivables from social security and tax authorities : equal to Euro 38 thousand at 31 December 2022, refer primarily to advances on INAIL contributions.

Receivables from others : this item, amounting to Euro 163 thousand at 31 December 2022, up by Euro 71 thousand compared to 31 December 2021, includes a number of receivables net of the related provision for write-downs.

Receivables from GFM : this item, amounting to Euro 143 thousand as at 31 December 2022, includes the receivable claimed by the Company in relation to two partial awards in favour of TISG, with payment of a total of approximately Euro 210 thousand, for the recoverability of which the lawyers of TISG have expressed a positive opinion. Not having paid GFM voluntarily, TISG acted for the recognition of these awards in Switzerland and an opposition by GFM is currently pending. The difference of Euro 67 thousand that makes up the request for Euro 210 thousand of TISG described above, is included in trade receivables due from customers.

Receivables from CELI for tax settlement : this item, amounting to Euro 475 thousand, refers to the short-term portion of the receivable from the related company CELI S.r.l. as part of the Tax Settlement signed by CELI and TISG with the Revenue Agency in October 2020 (see note no. 8).

The item **Prepaid expenses** , equal to Euro 1,963 thousand, refers primarily to the calculation of the accruals of the insurance costs of the yard and of the builder risks of the yachts in production.

COMMENTS ON THE MAIN LIABILITY ITEMS

NOTE 15 - SHAREHOLDERS' EQUITY

The ordinary Shareholders' meeting of 29 April 2022 approved the financial statements as at 31 December 2021 and resolved to allocate part of the previous year's result to the legal reserve of approximately Euro 950 thousand and to distribute dividends of Euro 0.185 per share to shareholders. The remaining part of the profit (loss) for the year, equal to approximately Euro 5,577 thousand, was carried forward.

The remaining changes are attributable to the effect of the cash flow edge of hedging derivatives and the change in the OCI reserve following the application of IAS 19

The breakdown of Shareholders' Equity is shown below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Share capital	26,500	26,500	0
Share premium reserve	45,431	45,431	0
Legal reserve	5,300	4,350	950
Reserves and other retained earnings	7,724	285	7,439
Profit (loss) for the period	24,247	16,332	7,915
TOTAL	109,202	92,898	16,304

At 31 December 2022, the **Share Capital** of TISG stood at Euro 26,500 thousand consisting of 53,000,000 shares with a nominal value of Euro 0.5 per share, fully subscribed and paid up.

NOTE 16 - PROVISIONS FOR RISKS AND CHARGES

Details of the changes and composition of the provisions for risks and charges from 31 December 2021 to 31 December 2022 are shown below:

CHANGES IN PROVISIONS FOR RISKS					
<i>in thousands of Euro</i>	31.12.2021	Alloc.	Use	31.12.2022	Delta
Civil actions	225	0	(20)	205	(20)
Provision for risks of legal and employment disputes	82	0	0	82	0
Provision for vessel guarantee	2,091	958	(591)	2,458	367
Risks for previous taxes	659	95	(69)	685	26
Other risks	9	16	(24)	1	(8)
TOTAL	3,066	1,069	(704)	3,431	365

Provision for civil actions

The provision collects the estimate of the probability of losing in threatened civil proceedings or in relation to out-of-court claims for damages.

The change in the provision was determined on the basis of information obtained from external lawyers and in application of the provisions of IAS 37.

Provision for risks of legal and employment disputes

The provision is made up, for Euro 82 thousand, of allocations made to cover the risk of losing in relation to certain employment law disputes.

Yacht guarantee fund

This provision includes provisions for guarantees calculated against the probable future expense that the Company has estimated it will have to incur. It should be noted that, in addition to the provision in question, to cover the risk of any interventions under warranty to be carried out on the yachts already delivered or still in progress, TISG also makes use of its own insurance coverage and that of its suppliers.

Provision for previous taxes

This is a provision that includes allocations for risks of a fiscal nature arising from possible requests from the Revenue Agency or other entities. The provision for the year represents an estimate of possible claims for municipal taxes related to the investments made by the Company in recent years, while the provision has decreased due to payments made during the year of amounts already allocated in previous years.

Provision for other risks

This is mainly the amount of the supplementary pension fund of some TISG workers.

NOTE 17 - DEFERRED TAXES

Changes in deferred taxes are shown below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Provision for risks and charges	757	660	97
Losses carried forward	0	0	0
Others	2,894	2,500	394
Deferred tax assets	3,651	3,160	491

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Tangible assets	3,649	3,971	(322)
Brands	896	367	529
Others	0	0	0
Deferred tax liabilities	4,545	4,338	207
Net amount	(894)	(1,178)	284

Deferred taxes are mainly related to the differences that arose during the transition to IFRS concerning the valuation of certain categories of tangible fixed assets at deemed cost. The other temporary differences mainly refer to the difference between the book value of the items represented above and the tax value.

NOTE 18 – PROVISION FOR EMPLOYEE BENEFITS

The breakdown of the provision for employee benefits is shown below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Liabilities for employee benefits	1,251	760	491
TOTAL	1,251	760	491

Employee benefits, which, according to Italian regulations, are categorised as severance indemnity (TFR) are considered by IAS 19 as “post-employment benefits”; they represent “defined benefit” pension plans and are therefore subject to valuation using the actuarial “Projected Unit Credit Method”.

NOTE 19 - LONG-TERM FINANCIAL LIABILITIES

The item can be broken down as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Long-term bank payables	66,287	23,863	42,424
Lease liabilities - Motor Vehicles long-term portion	2,834	1,759	1,075
Lease liabilities - Plant and machinery long-term portion	516	191	325
Lease liabilities - Buildings held under state concession long-term portion	6,561	5,565	996
TOTAL	76,198	31,378	44,820

The item **Long term bank payables**, amounting to Euro 66,287 thousand, represents the amount maturing beyond the financial year 2023 of the medium and long term loans entered into in previous years and in the current year. This item increased by Euro 42,424 thousand with reference to: i) taking out a loan in the amount of Euro 40 million, made available by Banca MPS through MPS Capital Services, the Corporate & Investment Bank of the Montepaschi Group; ii) signing on 27 January 2022 of a medium/long-term loan agreement between TISG, UniCredit S.p.A. and Deutsche Bank S.p.A. for an amount of Euro 32 million net of the full early repayment of Euro 15.9 million of the previous loan of 8 May 2020 and for the support of the investments of the Group expected in the year 2022 referred to in the TISG 4.0 Project and the TISG 4.1 Project. The final repayment date is scheduled for 31 December 2028.

The items **Lease liabilities - Motor Vehicles**, **Lease liabilities - Plant and Machinery** and **Leased liabilities - Leased Buildings** of Euro 2,834 thousand, Euro 516 thousand as at 31 December 2022, refer to the long-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities - Buildings held under state concession, amounting to Euro 6,561 thousand at 31 December 2022, represent the long-term portion of the current value of the fees to be paid to the Port Authority, in application of the IFRS 16 accounting standard, for the concession of the state property complex located in Marina di Carrara, La Spezia and Viareggio.

The details of the financial liabilities with indication of maturity date are shown below:

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Unicredit payables	125	125	-	-
BPM payables	298	206	92	-
Pool payables (Unicredit - Deutsche Bank)	28,431	4,682	18,951	4,798
Banca Intesa payables	3,096	779	2,317	-
MPS payables	9,467	1,600	6,400	1,467
MPS Capital service payables	39,033	6,771	27,715	4,547
Right Of Use payable	10,907	996	4,702	5,209
Minor Financial Payables	34	34	-	-
Total	91,391	15,193	60,177	16,021

NOTE 20 - OTHER NON-CURRENT LIABILITIES

Details of other non-current liabilities are provided below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Subsidised settlement - TER scrapping - long-term portion	50	486	(436)
TOTAL	50	486	(436)

The item **Subsidised settlement - TER scrapping** , amounting to Euro 50 thousand at 31 December 2022, includes the long-term part of the instalment plan signed with the Revenue Agency for all positions entered in the tax roll by 31 December 2017.

NOTE 21 - TRADE PAYABLES

The item can be broken down as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Payables to suppliers within the following year	78,770	57,146	21,624
TOTAL	78,770	57,146	21,624

Payables to suppliers: this item, amounting to Euro 78,770 thousand at 31 December 2022, shows an increase of Euro 21,624 thousand compared to 31 December 2021, due to the significant increase in operating activities necessary for the work on the orders in progress, for the development of refit activities, and for the investments of the TISG 4.0, TISG 4.1 and TISG 4.2 projects.

NOTE 22 - OTHER PAYABLES

The item can be broken down as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Subsidised settlement - TER scrapping - short-term portion	580	590	(10)
Payables to social security institutions	1,680	1,400	280
Tax payables	7,641	3,633	4,008
Other payables	3,792	0	3,792
TOTAL	13,693	5,623	8,070

The short-term portion of the **Subsidised Settlement - TER Scrapping** , recognised in the financial statements at 31 December 2022 for Euro 580 thousand, refers to the portion of the instalment in progress with the Revenue Agency for Collection due in 2023.

The item **Payables to social security institutions** , amounting to Euro 1,680 thousand at 31 December 2022, refers to the debt for contributions payable by the Company to INPS, for the

month of December 2022, to INAIL, to Fasi and Previndai, to the Cometa Supplementary Fund and other minor funds.

The item **Tax payables**, equal to Euro 7,641 thousand at 31 December 2022, mainly includes payables to the tax authorities for IRES and IRAP 2022.

The item **Other payables**, amounting to Euro 3,792 thousand as at 31 December 2022, mainly includes payments received on a dedicated current account, to manage the current expenses of a 140-meter motor yacht currently subject to a freezing decree, as required by EU regulations. The property, owned by the State, was entrusted to TISG which, among other things, is carrying out important refit works.

NOTE 23 - SHORT-TERM FINANCIAL LIABILITIES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Payables to shareholders for short term loans	0	3,161	(3,161)
Short-term payables to banks	14,164	7,574	6,590
Lease liabilities - Motor Vehicles short term portion	504	349	155
Lease liabilities - Plant and machinery short-term portion	223	184	39
Lease liabilities - Buildings held under state concession short-term portion	269	178	91
Short term payables to other lenders	33	33	0
TOTAL	15,193	11,479	3,714

Payables to shareholders for short term loans, amounting to Euro 0 thousand at 31 December 2022, as the debt is paid off in July 2023; in 2021 referred to interest-bearing disbursements made by the parent of TISG, GC Holding S.p.A.

The item **short-term bank borrowings**, amounting to Euro 14,164 thousand increased by Euro 6,590 thousand compared to 31 December 2021, includes the portion to be paid within the next financial year of the loans subscribed by the company as well as advances on contracts and cash credit lines.

The items **Lease liabilities - Motor Vehicles**, **Lease liabilities - Plant and Machinery** and **Lease liabilities - Leased Buildings** of Euro 504 thousand, Euro 223 thousand as at 31 December 2022, refer to the short-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities - Buildings under state concession, amounting to Euro 269 thousand, refer to the short-term portion of payables for the state concessions of Marina di Carrara, La Spezia e Viareggio, in application of IFRS 16.

Payables to other lenders refer, for Euro 33 thousand, to the short-term portion of no. 4 loans taken out for the purchase of no. 4 motor vehicles owned by TISG.

The details of the financial liabilities with indication of maturity date are shown below:

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Unicredit payables	125	125	-	-
BPM payables	298	206	92	-
Pool payables (Unicredit - Deutsche Bank)	28,431	4,682	18,951	4,798
Banca Intesa payables	3,096	779	2,317	-
MPS payables	9,467	1,600	6,400	1,467
MPS Capital service payables	39,033	6,771	27,715	4,547
Right Of Use payable	10,907	996	4,702	5,209
Minor Financial Payables	34	34	-	-
Total	91,391	15,193	60,177	16,021

NOTE 24 - OTHER CURRENT LIABILITIES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Accrued expenses	728	207	521
Other payables due within the next year	26,158	14,518	11,640
TOTAL	26,886	14,725	12,161

The item **Other payables**, amounting to Euro 26,886 thousand at 31 December 2022, increased by Euro 12,161 thousand compared to the previous year 2021 and is mainly composed as follows:

- payables to employees for holidays and leave accrued by them at 31 December 2022 in the amount of Euro 4,171 thousand;
- Tecnomar For Lamborghini deposits and Deposits for contracts under constructions of Euro 21,930 thousand refers to the deposits paid by the respective customers upon the signing of contracts for the construction and sale of M/Y Tecnomar for Lamborghini.

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

NOTE 25 - REVENUES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Revenues from sales and services	283,835	174,767	109,068
Change in contract work in progress	7,675	11,287	(3,612)
Total operating revenues	291,510	186,054	105,456
Other revenues and income	7,710	5,448	2,262
Commissions	(4,093)	(4,825)	732
TOTAL	295,128	186,677	108,451

Revenues from sales and services , amounting to Euro 283,835 thousand at 31 December 2022, increased compared to the previous year by approximately Euro 109,068 thousand, following the subscription of 6 contracts for the production and sale of yachts between 40 metres and 100 metres in length and 8 contracts for motor yachts of around 20 metres under the Tecnomar for Lamborghini brand.

The breakdown of operating revenues by production segment is shown below:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Production and sale of yachts (Shipbuilding)	255,299	164,143	91,156
incidence on total operating revenues	88%	88%	86%
Refit Activities	36,211	21,911	14,300
incidence on total operating revenues	12%	12%	14%
Operating revenues	291,510	186,054	105,456

The **Other revenues and income** , equal to Euro 7,710 thousand at 31 December 2022, are detailed as follows:

- **insurance settlements** for an amount of Euro 624 thousand at 31 December 2022, refer to reimbursements paid in 2022 by the insurance companies for costs incurred by TISG in 2022, relating to claims for adverse weather events and damage to vehicles. In particular, the most significant claim occurred in August 2022 with an insurance reimbursement of Euro 600 thousand.
- **Other revenues** for an amount of Euro 5,900 thousand deriving from the management of existing constructions.

- **contingent assets** of Euro 440 thousand as at 31 December 2022, which essentially refer to extraordinary income obtained following the successful conclusion of some disputes, thanks to the collection activities carried out by the company's lawyers;

The **commissions payable**, recognised in the financial statements at 31 December 2021 for Euro 4,093, refer to the brokerage activities of some of the main brokers in the sector, which have collaborated with the Company for years to procure customers, and to royalties accrued to Automobili Lamborghini during 2022 for the exclusive use of the Lamborghini brand.

NOTE 26 - RAW MATERIALS, COMPONENTS AND CONSUMABLES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Raw materials, consumables and goods	(67,048)	(44,939)	(22,109)
Short-term rentals	(1,140)	(236)	(904)
Changes in inventories of raw materials	(104)	65	(169)
Change in inventories of semi-finished and finished products	159	(1,574)	1,733
TOTAL	(68,133)	(46,684)	(21,449)

The item **costs for raw materials, consumables and goods**, amounting to Euro 67,048 thousand at 31 December 2022, up compared to the previous year 2021 by Euro 22,109 thousand, includes all costs relating to the procurement of materials necessary for the development of the production activities.

Short-term rentals, amounting to Euro 1,140 thousand at 31 December 2022, refer to all costs incurred for the rental of equipment, forklifts and scaffolding for specific short periods strictly linked to production requirements, especially in the context of refit services.

The item **Changes in inventories of raw materials**, which represents a balance of Euro 104 thousand at 31 December 2022, is related to the increase in raw materials stored in the general, steel and joinery warehouses.

The **change in finished and semi-finished products** shows a positive balance of Euro 159 thousand as at 31 December 2022, mainly due to costs incurred for the execution of orders for which a future sale is expected.

NOTE 27 - COST FOR OUTSOURCED WORK

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Outsourced works	(117,942)	(71,278)	(46,664)
TOTAL	(117,942)	(71,278)	(46,664)

Costs for Outsourced work , equal to Euro 117,942 thousand at 31 December 2022, up by Euro 46,664 thousand compared to 31 December 2021, refers to production activities managed in outsourcing by specialised nautical sector companies. In particular, they relate to marine carpentry services, turnkey furnishings of yachts and superyachts, electrical and plumbing work, and interior and exterior fittings of the yachts. The increase recorded in 2022 is linked to the development of growth for external lines, which involves the transfer, outside the Marina di Carrara shipyard, of the realisation of some processing phases such as those relating to the construction of the hull.

NOTE 28 – SERVICES AND TECHNICAL CONSULTANCY

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Other services and consultancy	(16,130)	(3,006)	(13,124)
Legal, tax and notary consultancy	(621)	(2,030)	1,409
Independent Audit fees	(49)	(198)	149
TOTAL	(16,800)	(5,234)	(11,566)

The item **Other services and consultancy** , amounting to Euro 16,130 thousand as at 31 December 2022, increased considerably by Euro 13,124 thousand compared to 2021 due to a greater number of design phases of the new mega yachts entrusted to external designers and architects.

The item **Legal, tax and notary consultancy** , amounting to Euro 621 thousand at 31 December 2022, includes the costs incurred for the management of legal activities, employment law advice, consultancy on the sector VAT regulations, as well as expenses for the notarial deeds for all contracts for the sale of yachts, extraordinary transactions and other advice. The item decreased by Euro 1,409 thousand compared to 2021.

NOTE 29 - OTHER COSTS FOR SERVICES

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Transport costs	(847)	(655)	(192)
Maintenance costs	(87)	(222)	135
Supervision	(622)	(505)	(117)
Research costs	(591)	(1,744)	1,153
Miscellaneous administrative expenses	(471)	(159)	(312)
Utilities	(4,485)	(2,912)	(1,573)
Shipyard and vessel insurance	(2,579)	(1,976)	(603)
Cleaning and waste disposal costs	(131)	(196)	65
Sundry employee services	(499)	(375)	(124)
Advertising and entertainment expenses	(627)	(731)	104
Bank charges and commissions	(330)	(384)	54
Fuels	(15)	(33)	18
Telephone costs	(142)	(81)	(61)
Software interventions	8	(60)	68
Directors' fees and expenses	(804)	(492)	(312)
Board of Statutory Auditors fee	(32)	(19)	(13)
Supervisory Body	(17)	(17)	0
Directors' remuneration	(56)	(45)	(11)
Other expenses	(402)	(89)	(313)
TOTAL	(12,729)	(10,695)	(2,034)

Costs for Utilities , amounting to Euro 4,485 thousand at 31 December 2022, increased by Euro 1,573 thousand compared to the previous year, mainly as a result of the development of the business, the entry into operation of the facilities and energy consumption linked to investment management. Furthermore, there has been a significant increase in the price/kw, from 0.22€/kw in 2021 to 0.32€/kw in 2022.

Sundry employee services , amounting to Euro 499 thousand at 31 December 2022, increased by Euro 124 thousand compared to 2021 and mainly refer to services related to canteen and catering, managed in the company Village and for travel and business trips for the start-up of the foreign outsourcing of the production of structural work and some commercial trips.

Shipyard and vessel insurance , amounting to Euro 2,579 thousand as at 31 December 2022, increased by Euro 603 thousand as a result of business development.

NOTE 30 - PERSONNEL COSTS

This item represents the total expense incurred for TISG employees; it includes salaries, related social security and pension costs payable by the Company, donations and flat-rate travel expenses.

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
For personnel	(19,788)	(14,740)	(5,048)
Social security charges	(6,913)	(5,330)	(1,583)
Severance indemnity	(1,377)	(957)	(420)
Other costs	(1,484)	(1,090)	(394)
TOTAL	(29,562)	(22,117)	(7,445)

The average number of TISG employees in 2022 is equal to 470 as follows:

Average number	2022	2021
Executives	23	19
Office staff	290	216
Workers	163	131
TOTAL	476	366

The number of employees at 31 December 2022 was 530, broken down as follows:

Precise number at 31 December	2022	2021
Executives	23	19
Office staff	324	243
Workers	183	139
TOTAL	530	401

The management of all production phases led to a significant increase in employment levels, which is why TISG now plays a fundamental role within the Tyrrhenian Sea district in the luxury mega yacht production nautical sector, as one of the main players in terms of employment opportunities.

NOTE 31 - OTHER OPERATING COSTS

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Provision for risks	(1,053)	(1,773)	720
Contingent liabilities	(475)	(527)	52
Losses on receivables	0	0	0
IMU - Tasi	(384)	(230)	(154)
Municipal taxes	(444)	(287)	(157)
Branding	(547)	(769)	222
Other operating costs	(3,324)	(96)	(3,228)
TOTAL	(6,227)	(3,682)	(2,545)

The item **provisions for risks** , equal to Euro 1,053 thousand as at 31 December 2022, mainly refers to the allocation to the guarantee provision for yachts under production for Euro 958 thousand.

Contingent liabilities , equal to Euro 475 thousand at 31 December 2022, mainly refer to extraordinary items of income, lost revenues, items that have contributed to increasing income during past years, but which are not reflected in the current year.

The item **Other operating costs** include Euro 3,197 thousand of non-recurring operating costs related to registration taxes and notary fees incurred for the acquisition of the Perini Navi business complex.

NOTE 32 - AMORTISATION, DEPRECIATION AND WRITE-DOWNS

This item is detailed as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Depreciation of tangible fixed assets	(9,395)	(4,998)	(4,397)
Amortisation of intangible fixed assets	(494)	(346)	(148)
Write-downs and losses on receivables	(450)	(403)	(47)
TOTAL	(10,339)	(5,747)	(4,592)

As regards the depreciation of tangible and intangible fixed assets, please refer to **note no. 2** and **note no. 6** .

For the item **Write-downs and losses on receivables** , please refer to the previous **note 10** .

NOTE 33 - FINANCIAL INCOME AND CHARGES

The item can be broken down as follows:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021	Changes
Other financial income	447	197	250
Interest expense to banks and others	(3,813)	(2,888)	(925)
Interest expense on interest-bearing loan to shareholders	(46)	(66)	20
Interest expense on Lease liabilities	(369)	(321)	(48)
TOTAL	(3,781)	(3,078)	(703)

NOTE 34 - INCOME TAXES

The reconciliation table of the tax burden is shown below:

<i>in thousands of Euro</i>	31.12.2022	31.12.2021
Theoretical IRES rate	24.00%	24.00%
Profit before taxes	29,615	18,162
THEORETICAL IRES		
Total increases	3,656	5,000
Total decreases	(11,801)	(8,106)
Taxable income	(21,469)	(15,057)
Effect of tax losses usable at 80%	0	7,506
ACE	750	1,051
Net taxable income	(20,719)	(6,500)
IRES 24%	(4,973)	(1,560)
IRAP	(1,209)	(923)
Total current taxes	(6,182)	(2,483)
Deferred tax assets/liabilities	663	653
Contingent assets from Patent Box application	151	0
TOTAL TAXES	(5,368)	(1,831)

It should be noted that the Company benefited for the years 2019, 2020, 2021 and 2022 from the preferential taxation regime by applying the Patent Box discipline. Since TISG is one of the parties able to exercise the option under Article 4 of Decree Law of 30 April 2019, converted, with amendments, by Law No. 58 of 28 June 2019, as well as in accordance with the terms and conditions set forth in the provision No. 658445 of the Director of the Revenue Agency, it has chosen to exercise the option to directly determine its taxable income, as set forth in Article 1 of the same provision.

NOTE 35 - GAINS/(LOSSES) FROM REMEASUREMENT OF LIABILITIES TO DEFINED BENEFIT PLANS

The actuarial model of reference for the valuation of severance pay is based on various demographic and economic assumptions.

For some of the assumptions used, where possible, explicit reference was made to the direct experience of the Company, for the others the reference best practice was taken into account. The economic technical bases used are shown below:

SUMMARY OF THE ECONOMIC TECHNICAL BASES	31/12/2022	31/12/2021	31/12/2020
Annual discount rate	3.57%	0.29%	-0.08%
Annual inflation rate	2.30%	1.75%	0.80%
Annual rate of increase in severance indemnity	3.23%	2.81%	2.10%

In particular, it should be noted that:

- the annual discount rate used to determine the current value of the obligation was derived, in accordance with par. 83 of IAS 19, from the Iboxx Corporate AA index with duration 5-7 recorded at the measurement date. For this purpose, the return with a duration comparable to the duration of the collective of workers subject to valuation was chosen;
- the annual rate of increase in severance indemnity as set forth in Article 2120 of the Italian Civil Code, is equal to 75% of inflation plus 1.5 percentage points;

The technical demographic bases used are shown below:

Death	RG48 mortality tables published by the State General Accounting Office
Disability	INPS tables broken down by age and gender
Retirement	100% upon achievement of the AGO requirements adjusted to Decree Law no. 4/2019

Additional information:

The new IAS 19, for post-employment defined benefit plans, requires a series of additional information that is reported below:

Sensitivity analysis of the main valuation parameters	
THE ITALIAN SEA GROUP S.P.A.	DBO 31.12.22
Turnover rate +1%	1,147,343.00
Turnover rate -1%	1,143,490.72
Inflation rate +0.25%	1,154,211.59
Inflation rate -0.25%	1,136,865.62
Discount rate +0.25%	1,132,441.74
Discount rate -0.25%	1,158,827.59

Service Cost and Duration	
THE ITALIAN SEA GROUP S.P.A.	
Service Cost 2021	40,027.73
Duration	6.51

Estimated future disbursements	
Years	Expected disbursements
1	180,270.32
2	184,144.94
3	136,377.97
4	131,080.45
5	107,947.26

NOTE 36 - CASH FLOW HEDGES

In the context in which the use of the derivative instrument is formally designated to hedge a specific risk and this hedge is effective, it is possible to apply the Hedge Accounting rules that envisage accounting rules differentiated by type of hedge.

A hedging instrument is one whose fair value or cash flow should offset, in whole or in part, the change in the fair value or cash flow of the hedged item.

OTHER INFORMATION

COMMITMENTS AND RISKS

For the production of yachts, in some cases, the Company uses bank or insurance sureties to guarantee the advances received from the shipowners relating to the sale contracts entered into.

RELATED PARTY TRANSACTIONS

Below is a list of the main Related Parties with which transactions took place in 2022 and the type of relationship:

List of related parties	Correlation relationship
GC HOLDING S.p.A.	62.68% PARENT COMPANY OF TISG
TISG Turkey YTAS	100% SUBSIDIARY OF TISG
PERINI NAVI USA Inc.	100% SUBSIDIARY OF TISG
GMC Architecture S.r.l. S.t.p.	GC HOLDING INVESTEE COMPANY
CELI S.r.l.	RELATED PARTY OF TISG
SANTA BARBARA S.r.l.	RELATED PARTY OF TISG

Transactions with related parties during the year at 31 December 2022 are shown below:

BALANCE SHEETS (thousands of Euro)	GC Holding	TISG Turkey YTAS	PERINI NAVI USA INC.	GMC ARCHITECTURE S.R.L. S.T.P.	CELI S.r.l.	SANTA BARBARA S.R.L.
SECURITY DEPOSITS		23				
FINANCIAL RECEIVABLES	67	133			3,803	
TRADE RECEIVABLES					549	4
TOTAL RECEIVABLES	67	156	0	0	4,352	4
FINANCIAL PAYABLES	0					
TRADE PAYABLES	37.5			10	111	-50
TOTAL PAYABLES	38	0	0	10	111	-50
INCOME STATEMENT (thousands of Euro)	GC Holding	TISG Turkey YTAS	PERINI NAVI USA INC.	GMC ARCHITECTURE S.R.L. S.T.P.	CELI S.r.l.	SANTA BARBARA S.R.L.
COSTS FOR PROCESSING		12,818			9,529	183
COSTS FOR CONSULTANCY				154		
COSTS FOR SERVICES						
INTEREST EXPENSE	46					
TOTAL COSTS	46	12,818	0	154	9,529	183
REVENUES FROM SALES		3,974			91	10
INTEREST INCOME					146	
TOTAL REVENUES	0	3,974	0	0	237	10

GC HOLDING S.p.A. : The principal payable to the parent company GC Holding S.p.a. was settled in July 2022, the interest accrued up to that date amounted to approximately 46 thousand for the year 2022.

TISG Turkey YTAS : TISG has commissioned TISG Turkey to build steel and aluminium hulls for yachts under construction. Specifically, the contract was commissioned for the construction of the hull and superstructure of the motor yacht 597 under the Admiral brand with a length of 100 meters.

For the purposes of approving the above-mentioned agreement, the prior reasoned opinion of the Related Party Transactions Committee was obtained, which highlighted the Company's interest in approving the transaction under analysis and the convenience and substantial fairness of the conditions under which it should be carried out.

GMC ARCHITECTURE S.r.l. S.t.p. : TISG and GMC Architecture have signed a contract based on which GMC undertakes to provide assistance and stylistic consultancy for the fitting out of offices, fairs and, in general, to take care of the corporate image of TISG and develop projects for the design of the external profiles of yachts that the Company should produce for future potential customers.

CELI S.r.l. : On 24 June 2019, the Board of Directors of TISG resolved to transfer the business unit called "CELI", whose object is the design, manufacture and marketing of furniture and furnishings, to former subsidiary ATS Service S.r.l., later renamed CELI S.r.l.

Among the items transferred with the CELI Business Unit, TISG transferred to CELI Euro 13,534 thousand of overdue payables including: (a) tax payables due to the Revenue Agency for direct and indirect taxes and withholdings for Euro 9,385 thousand; (b) payables due to INPS for Euro 3,102 thousand; (c) payables due to INAIL for Euro 441 thousand; and (d) payables to local authorities for Euro 606 thousand.

The component referring to overdue payables to the Revenue Agency for Euro 8,982 thousand was the subject of a Tax Settlement between the Agency, CELI and TISG, as the subject jointly and severally liable. The settlement deed signed in October 2020 with the Revenue Agency reduced the amount to be paid to Euro 7,976 thousand.

The residual receivable at 31 December 2022 in the amount of Euro 3,803 thousand will be repaid by CELI to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per annum, starting from 30 June 2021 until 31 December 2030. CELI repaid the instalments according to the repayment plan on 31 December 2022.

On 28 June 2021, following the signing of the tax-social security settlements by CELI, Revenue Agency, INPS and INAL, the procedure for the homologation, by the Court of Massa, of the debt restructuring agreement proposed by CELI S.r.l. pursuant to Article 182-bis of the Italian Finance Law, was positively concluded. Therefore, the settlement agreements will not be subject to changes and no further amounts will be payable, either by TISG or by CELI S.r.l., with respect to those agreed in said agreements.

In addition to the above, CELI is one of the most important strategic suppliers of TISG, as it manufactures most of the furnishings, internal and external, of the Company's yachts under construction, in addition to producing the furniture of the TISG operating offices.

Santa Barbara: In 2022 TISG has carried out a supply of specialised technical services on behalf of Santa Barbara.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In 2022, no significant non-recurring transactions were carried out, as defined by Consob Communication no. DEM/6064293 of 28 July 2006, other than those described in the report on operations in the section significant events that occurred in 2022.

TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In 2022, the Company did not carry out any significant atypical and/or unusual transactions, as defined by Consob Communications no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006, other than those described in the explanatory notes and in the report on operations.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD

On this point, please refer to the interim report on operations for any significant events occurring after the end of the period.

EARNINGS PER SHARE

The calculation of earnings per share is based on the following data:

<i>in thousands of Euro</i>	31/12/2022	31/12/2021
Net result	24,247.08 €	16,331.60
Profit attributable to ordinary shares	24,247.08 €	16,331.60
Average number of ordinary shares in circulation	53,000	53,000
Earnings per ordinary share	0.46 €	0.31 €
Adjusted average number of ordinary shares	53,000	53,000
Diluted earnings per ordinary share	0.46 €	0.31 €

AUTHORISATION TO PUBLISH

This document was published on 5 April 2023 upon authorisation of the Chairman and Chief Executive Officer.

DIRECTORS AND AUDITORS' REMUNERATION

The total remuneration due for the year 2022 to the Directors and Statutory Auditors of TISG S.p.A., for the performance of these functions in the Company, amounts to Euro 804 thousand for the Directors and Euro 31 thousand for the Statutory Auditors. For a complete and detailed description of the remuneration paid to Directors, reference should be made to the Remuneration Report, available at the Company's registered office and on the website of the Company.

SUMMARY TABLE OF FEES TO THE INDEPENDENT AUDITORS AND OTHER ENTITIES BELONGING TO ITS NETWORK

Pursuant to Article 149-duodecies of the Issuers' Regulation, it should be noted that the total fees due to BDO Italia S.p.A. and the BDO network for the audit of the 2022 Annual Financial Report are summarised in the table below:

<i>in thousand of Euro</i>	31/12/2022
Fees for the audit	49
TOTAL	49

Certification by the Manager in charge of preparing the corporate accounting documents

CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED 1.

1. The undersigned Giovanni Costantino (Chief Executive Officer) and Marco Carniani (Manager responsible for preparing the financial reports) of The Italian Sea Group S.p.A., taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, certify that:

- a) the financial statements have been drawn up in a manner consistent with the administrative/accounting system and with the structure of the Company
- b) their adequacy has been verified;
- c) the administrative and accounting procedures for the preparation of the financial statements were duly applied during the period 1 January 2022 - 31 December 2022 to which the financial statements refer.

2. In this regard, no significant aspects emerged.

3. It is also certified that the financial statements at 31 December 2022:

- a) correspond to the figures of the accounting books and records;
- b) are prepared in accordance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002;
- c) provide a true and fair view of the equity, economic and financial situation of the issuer and of the group of companies included in the consolidation.

Date 21 March 2023

Firma Amministratore Delegato

Firma dirigente preposto alla redazione dei documenti contabili societari

Proposed resolution

Dear Shareholders

We propose to allocate the net profit for the year 2022, totalling Euro 24,427 thousand (versus Euro 24,046 thousand for the consolidated financial statements), as follows:

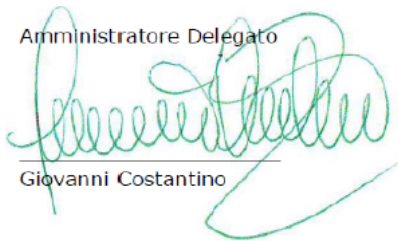
- distribute a dividend to the Shareholders, for a total of Euro 14,427 thousand;
- increase retained earnings for Euro 9,819 thousand;

Lastly, we invite you to approve the Annual Financial Statements at 31 December 2022 as well as the proposed allocation of the net profit for the year as indicated above.

Marina di Carrara, 21 March 2023

Per il consiglio di Amministrazione

Amministratore Delegato



Giovanni Costantino

This document is an English translation from Italian. The Italian original shall prevail in case of differences in interpretation and/or factual errors.



The Italian Sea Group S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n.
39, dated January 27, 2010 and article
10 of EU Regulation n. 537/2014

Consolidated Financial statements at
December 31, 2022

This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
The Italian Sea Group S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Italian Sea Group (the "Group"), which comprise the consolidated statement of financial position as at December 31 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, and the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05.

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 The Italian Sea Group S.p.A. (the "Company") in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

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.

Key audit matter**Audit response**

Assets and liabilities from contract work in progress

Refer to note 12

The Group records in its consolidated financial statements as at December 31 2022 Contract assets for an amount equal to Euro 49,468 thousand (corresponding to 14.45% of total assets) and liabilities for contracts equal to Euro 16,800 thousand (corresponding to 4.90% of total liabilities and equity).

Assets and liabilities from contract work in progress are recognised at the value of the agreed contractual considerations, according to the percentage of completion method, taking into account the percentage of completion method, the progress achieved and the expected contractual risks. The work progress is measured with the so-called input method with reference to the contract costs incurred at the reporting date in relation to the total estimated costs for the contract (so-called "cost-to-cost").

Contract orders are stated considering the costs incurred plus the margins recognised, less any expected losses, net of invoicing for work in progress with respect to the total cost to finish expected in the contract.

This analysis is carried out on a contract-by-contract basis. If the differential is positive, the imbalance is classified as an asset under the item "assets from contract work in progress"; if, on the other hand, this differential is negative, the difference is classified as a liability under the item "Liabilities from contract work in progress".

The estimation of the costs to finish involves a high degree of judgment from management and an error effected in this phase can be reflected in a wrong appraisal of the contract on going (and consequently on the revenues) that could be significant.

The correct measurement of the completion of the contract assets and liabilities represents a key audit matter in relation to the significance of amounts and the high degree of judgement from management that involves.

Our main audit procedures performed in response to the key audit matter regarding assets and liabilities from contract work in progress included the following:

- understanding of relevant internal controls pertaining to both initial estimates and subsequent periodical updates on total revenues, total costs and costs to complete the contracts;
- understanding of criteria and procedures adopted by Management in determining the percentage of completion of the contracts and the revenue recognition;
- for each contract selected on a sample basis we obtained and examined the underlying contracts (and any amendments thereto agreed with customers) and verified that the total revenue used for the evaluation of the contracts was in accordance with the contracted prices. For existing contracts, we have verified that there were no contractual changes and, where present, we have verified the correct entry of the revenue based on percentage of completion, possibly revised to account for changes;
- performed comparative analysis with the budgeted costs of previous years, in order to identify significant variations of those costs;
- discussion with project managers and the head of internal control to understand the explanations of the more relevant variations and to assess the adequacy of budgets and their updates;
- for a sample of contracts, the examination and verification of the process adopted to allocate the costs to each contract and checked for consistency the data between the general accounts and the contract accounting;
- for a sample of contracts, we verified the accuracy of costs allocated to the specific contracts;
- performed substantive procedures in order to test the correct attribution of the costs to the related construction contract;

Key audit matter	Audit response
	<ul style="list-style-type: none"> ▪ for a significant sample of contracts, verification for accuracy of calculation of the percentage of completion as a ratio of costs incurred at the financial statements date to estimated full total costs; ▪ for the boats delivered during the year, check the correct closing of the current order and the possible effect on the Income Statement; ▪ examination for the appropriateness of disclosures included in the notes to the consolidated financial statements and its compliance with applicable accounting standards.
<p><i>Valuation of Trademarks with an indefinite useful life</i></p> <p>Please refer to Note no. 1 “Trademarks”.</p> <p>The Group presents trademarks for Euro 34,685 thousand in its consolidated financial statements as at December 31 2022 (corresponding to 10.13% of total assets).</p> <p>The process and methods for assessing and determining the recoverable value of trademarks with an indefinite useful life are based on assumptions which, by their nature, imply the judgment of the Directors, with particular reference to the forecasted expected cash flows, as far as they can be inferred from the Business Plan 2023-2026 of the Company and approved by the Board of Directors of The Italian Sea Group S.p.A. as of January 24, 2023.</p> <p>In consideration of the significance of the book value also following the acquisition of the Perini brand which took place during the year and the judgment required in defining the valuation methods and assumptions used in estimating the recoverable value of trademarks with an indefinite useful life, we have considered this issue to be a key audit matters of the audit.</p>	<p>Our main audit procedures performed in response to the key audit matter regarding trademarks with an indefinite useful life included the following:</p> <ul style="list-style-type: none"> ▪ understanding of the processes adopted in the preparation of the Impairment Test and the estimate of future cash flows and the expected turnover of the trademarks deduced from the 2023-2026 Business Plan; ▪ analysis of the reasonableness i) of the main assumptions used by the Directors in identifying trademarks with an indefinite useful life, in determining the related future and expected cash flows; ii) the valuation models adopted; ▪ examination of the sensitivity analysis carried out by the Directors with reference to the main assumptions used to carry out the Impairment Test on trademarks; ▪ examination of the appropriateness of the information provided in the explanatory notes in relation to trademarks with an indefinite useful life and of the impairment test conduct. <p>In our analyses, we also made use of the assistance of our experts in valuation techniques, who analysed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and carried out sensitivity analyses on the key assumptions in order to determine changes in assumptions that could significantly impact the assessment of the recoverable value.</p>

Key audit matter**Audit response***Related parties transactions*

Refer to the paragraph “Related party transactions”.

During the year and in the previous years the Parent Company performed some transactions with related parties, that modified the structure of the Group.

In particular, the transactions with related parties were regarding:

- i. The commission of joinery works for the realization of interiors of boats in work in progress;
- ii. Commercial and financial creditor and debtor relationships resulting from the transfer of business occurred on June 24 2019;
- iii. The commission for the construction of a hull for a boat in work in progress;

We have considered transactions with related parties as a key audit matter because of the risks associated with them in terms of the existence, completeness and inherent nature of transactions with related parties, in addition to the presentation in the consolidated financial statements.

Our main audit procedures performed in response to the key audit matter regarding the existence, completeness and inherent nature of transactions with related parties included the following:

- understanding and understanding of criteria and procedures adopted by Management in identifying related parties and recognise the transaction with them;
- examination of the procedure on related parties adopted by the Parent Company;
- discussion with company functions involved, included the Board of Statutory Auditors, on relevant issues of the transaction;
- read the minutes of the related parties committee and other statutory bodies;
- examination, for a relevant sample of transactions, of supporting evidence and contracts to the evaluation of management on the economic and commercial substance of the transactions and that are performed at market conditions;
- examination of unusual transactions or those of significant value;
- examination for the appropriateness of disclosures included in the notes to the consolidated financial statements and the report on operations, and its compliance with applicable accounting standards.

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree n. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible 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 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 the 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 ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify 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.
- 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.
- 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 on the consolidated financial statements.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, 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 also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of The Italian Sea Group S.p.A. on February 17, 2021 to perform the audits of the separate financial statements of each fiscal year starting from December 31 2021 to December 31 2029.

The audits of the Group's consolidated financial statements was supplemented with a proposal dated March 10, 2022 for each fiscal year starting from December 31 2021 to December 31 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of The Italian Sea Group S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF - European Single Electronic Format) (hereinafter the "Delegated Regulation") to the consolidated financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements as at December 31 2022 to the requirements of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative 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, (e), of Legislative Decree n. 39/10 and of article 123-bis, paragraph 4, of Legislative Decree n. 58/98.

The Directors of The Italian Sea Group S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of The Italian Sea Group S.p.A. as at December 31 2022, including their consistency with the 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 of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree n. 58/98, with the consolidated financial statements of The Italian Sea Group as at December 31 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of The Italian Sea Group as at December 31 2022 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree no. 254, of December 30th, 2016

The Directors of The Italian Sea Group S.p.A. are responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree no.254, of December 30th,2016. We have checked that the Directors had approved the consolidated non-financial statement.

According to article 3, paragraph 10, of Legislative Decree n.254, of December 30th,2016 we attested the compliance of the consolidated non-financial statement separately.

Milan, April 5 2023

BDO Italia S.p.A.
Signed by

Andrea Meneghel
Partner



The Italian Sea Group S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n.
39, dated January 27, 2010 and article
10 of EU Regulation n. 537/2014

Financial statements at
December 31, 2022

This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
The Italian Sea Group S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of The Italian Sea Group S.p.A. (the Company), which comprise the statement of financial position as at December 31 2022 the income statement, the statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05.

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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter**Audit response**

Assets and liabilities from contract work in progress

Refer to note 12.

The Italian Sea Group S.p.A. records in its financial statements as at December 31 2022 Contract assets for an amount equal to Euro 49,468 thousand (corresponding to 14.45% of total assets) and liabilities for contracts equal to Euro 16,800 thousand (corresponding to 4.90% of total liabilities and equity).

Assets and liabilities from contract work in progress are recognised at the value of the agreed contractual considerations, according to the percentage of completion method, taking into account the percentage of completion method, the progress achieved and the expected contractual risks. The work progress is measured with the so-called input method with reference to the contract costs incurred at the reporting date in relation to the total estimated costs for the contract (so-called "cost-to-cost").

Contract orders are stated considering the costs incurred plus the margins recognised, less any expected losses, net of invoicing for work in progress with respect to the total cost to finish expected in the contract.

This analysis is carried out on a contract-by-contract basis. If the differential is positive, the imbalance is classified as an asset under the item "assets from contract work in progress"; if, on the other hand, this differential is negative, the difference is classified as a liability under the item "Liabilities from contract work in progress".

The estimation of the costs to finish involves a high degree of judgment from management and an error effected in this phase can be reflected in a wrong appraisal of the contract on going (and consequently on the revenues) that could be significant.

The correct measurement of the completion of the contract assets and liabilities represents a key audit matter in relation to the significance of amounts and the high degree of judgement from management that involves.

Our main audit procedures performed in response to the key audit matter regarding assets and liabilities from contract work in progress included the following:

- understanding of relevant internal controls pertaining to both initial estimates and subsequent periodical updates on total revenues, total costs and costs to complete the contracts;
- understanding of criteria and procedures adopted by Management in determining the percentage of completion of the contracts and the revenue recognition;
- for each contract selected on a sample basis we obtained and examined the underlying contracts (and any amendments thereto agreed with customers) and verified that the total revenue used for the evaluation of the contracts was in accordance with the contracted prices. For existing contracts, we have verified that there were no contractual changes and, where present, we have verified the correct entry of the revenue based on percentage of completion, possibly revised to account for changes;
- performed comparative analysis with the budgeted costs of previous years, in order to identify significant variations of those costs;
- discussion with project managers and the head of internal control to understand the explanations of the more relevant variations and to assess the adequacy of budgets and their updates;
- for a sample of contracts, the examination and verification of the process adopted to allocate the costs to each contract and checked for consistency the data between the general accounts and the contract accounting;
- for a sample of contracts, we verified the accuracy of costs allocated to the specific contracts;
- performed substantive procedures in order to test the correct attribution of the costs to the related construction contract;
- for a significant sample of contracts, verification for accuracy of calculation of the percentage of completion as a ratio of costs incurred at the financial statements date to estimated full total costs;

Key audit matter**Audit response**

Valuation of Trademarks with an indefinite useful life

Please refer to Note no. 1 “Trademarks”.

The Company presents trademarks for Euro 34,685 thousand in its financial statements as at December 31 2022 (corresponding to 10.13% of total assets).

The process and methods for assessing and determining the recoverable value of trademarks with an indefinite useful life are based on assumptions which, by their nature, imply the judgment of the Directors, with particular reference to the forecasted expected cash flows, as far as they can be inferred from the Business Plan 2023-2026 of the Company and approved by the Board of Directors of The Italian Sea Group S.p.A. as of January 24, 2023.

In consideration of the significance of the book value also following the acquisition of the Perini brand which took place during the year and the judgment required in defining the valuation methods and assumptions used in estimating the recoverable value of trademarks with an indefinite useful life, we have considered this issue to be a key audit matters of the audit.

- for the boats delivered during the year, check the correct closing of the current order and the possible effect on the Income Statement;
- examination for the appropriateness of disclosures included in the notes to the financial statements and its compliance with applicable accounting standards.

Our main audit procedures performed in response to the key audit matter regarding trademarks with an indefinite useful life included the following:

- understanding of the processes adopted in the preparation of the Impairment Test and the estimate of future cash flows and the expected turnover of the trademarks deduced from the 2023-2026 Business Plan;
- analysis of the reasonableness i) of the main assumptions used by the Directors in identifying trademarks with an indefinite useful life, in determining the related future and expected cash flows; ii) the valuation models adopted;
- examination of the sensitivity analysis carried out by the Directors with reference to the main assumptions used to carry out the Impairment Test on trademarks;
- examination of the appropriateness of the information provided in the explanatory notes in relation to trademarks with an indefinite useful life and of the impairment test conduct.

In our analyses, we also made use of the assistance of our experts in valuation techniques, who analysed the valuation methodologies adopted, verified the mathematical accuracy of the calculation models and carried out sensitivity analyses on the key assumptions in order to determine changes in assumptions that could significantly impact the assessment of the recoverable value.

Key audit matter**Audit response***Related parties transactions*

Refer to the paragraph “Related party transactions”.

During the year and in the previous years the company performed some transactions with related parties, that modified the structure of the Group.

In particular, the transactions with related parties were regarding:

- i. The commission of joinery works for the realization of interiors of boats in work in progress;
- ii. Commercial and financial creditor and debtor relationships resulting from the transfer of business occurred on June 24 2019;
- iii. The commission for the construction of a hull for a boat in work in progress;

We have considered transactions with related parties as a key audit matter because of the risks associated with them in terms of the existence, completeness and inherent nature of transactions with related parties, in addition to the presentation in the financial statements.

Our main audit procedures performed in response to the key audit matter regarding the existence, completeness and inherent nature of transactions with related parties included the following:

- understanding and understanding of criteria and procedures adopted by Management in identifying related parties and recognise the transaction with them;
- examination of the procedure on related parties adopted by the company;
- discussion with company functions involved, included the Board of Statutory Auditors, on relevant issues of the transaction;
- read the minutes of the related parties committee and other statutory bodies;
- examination, for a relevant sample of transactions, of supporting evidence and contracts to the evaluation of management on the economic and commercial substance of the transactions and that are performed at market conditions;
- examination of unusual transactions or those of significant value;
- examination for the appropriateness of disclosures included in the notes to the financial statements and the report on operations, and its compliance with applicable accounting standards.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05 and, within the terms provide 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.

In preparing the financial statements, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of the 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 Company'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 modify 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 Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, 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 also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

From the matters communicated with those charged with governance, we 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 described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of The Italian Sea Group S.p.A. on February 17, 2021 to perform the audits of the financial statements of each fiscal year starting from December 31 2021 to December 31 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of The Italian Sea Group S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF - European Single Electronic Format) (hereinafter the “Delegated Regulation”) to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements as at December 31 2022 to the requirements of the Delegated Regulation.

In our opinion, the financial statements as at December 31 2022 have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98.

The Directors of The Italian Sea Group S.p.A are responsible for the preparation of the report on operations and of the corporate governance report of The Italian Sea Group S.p.A. as at December 31 2022 including their consistency with the 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 of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree n. 58/98, with the financial statements of The Italian Sea Group S.p.A as at December 31 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of The Italian Sea Group S.p.A as at December 31 2022 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, April 5 2023

BDO Italia S.p.A.
Signed by

Andrea Meneghel
Partner