THE ITALIAN SEA GROUP

CONSOLIDATED ANNUAL FINANCIAL REPORT AL 31 DECEMBER 2023

TABLE OF CONTENTS

This document is an English translation from Italian.

LETTER FROM THE FOUNDER & CHIEF EXECUTIVE OFFICER

Dear Shareholders,

2023 Results once again confirm our strength and flexibility, which have allowed us to face a year characterised by a still uncertain macroeconomic and geopolitical context.

We have operated in a challenging environment, showcasing determination, vision, and the ability to overcome all the different exogenous complexities.

Despite the circumstances, we have continued to meet the market's expectations, reaching a new goal of Revenues to Euro 364 million, EBITDA Margin of 17% – well above the Guidance we announced at the beginning of the year – and a Group Net Income of Euro 37 million, growing by 54% versus the previous year.

Furthermore, this year we added another important piece to our Group, with the acquisition of the prestigious woodworking company Celi 1920.

Celi's long history and experience, their skills and avant-garde engineering technology are a great stepping stone to explore the opportunity of expansion in the extra sector of high-luxury real estate and hospitality.

The success stemming from our return to the **Monaco Yacht Show**, with 6 yachts including three new custom-made models, has reinforced de strength of our brands and the uniqueness of our product offering, and has consolidated our high positioning in the industry.

2023 has also been the year when we completed the investments on production capacity in the Marina di Carrara and La Spezia shipyards, which have allowed us to boost shipbuilding and refit activities in light of the significant increase in demand over the past few years.

Now, the next small interventions will be aimed at upgrading our commercial offices, creating new spaces where our clients can live a complete 360° luxury experience with the maximum exclusivity and privacy, a project which we called "**TISG NEW ERA**".

We continued to expand our commitment in terms of sustainability, publishing our first **Non-Financial Statement** for 2022 and obtaining our first **ESG rating**, which has positioned us in a high-performance range. We have continued towards the achievement of our objectives in this regard, neutralising Scope 1 and Scope 2 emissions for 2022 and obtaining the ISO:14001 certification for Environmental Management Systems in all our shipyards in Italy.

We continue to work to improve gender equality inside our Company and provide support to our employees, suppliers, and local community. Furthermore, we are the only player in yachting having subscribed to the **Global Compact** initiative by the United Nations.

With seven yachts to launch, including six deliveries, 2024 offers new challenges which will require our usual commitment, and I have no doubt that, with our resilience and strength of will we will continue to win, continue to commit to the achievement of our objectives.

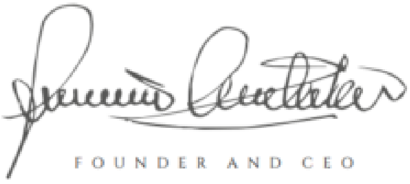
In light of this scenario and all the exciting future perspectives, on February 7th, in occasion of our second Capital Markets Day, we have showcased our Strategic Outlook for 2024 and 2025 to investors and the financial community. The growth prospects are extremely solid, reflecting our confidence in the path we have outlined and the opportunities that await us in the international landscape.

To conclude, I would like to thank our Chair, our Corporate Bodies, our Top Management, General and Functional Management, Middle Management, and all employees for the constant commitment and dedication that they express on a daily basis.

Thank you to the Celi and TISG Turkey employees, for the great support that they give to our big Group.

A heartfelt thank you goes to our suppliers, whom we now consider partners, and the Institutions, always present and ready to support us in our growth.

Finally, I want to thank our Shareholders for continuing to believe in our "factory of emotions": I am certain that, even in the future, we will continue to give you great satisfaction.



FOUNDER AND CEO

METHODOLOGICAL INTRODUCTION

In compliance with the relevant IAS/IFRS framework, the consolidated financial statements of The Italian Sea Group S.p.A. as at 31 December 2023 show as comparative data the balances of the consolidated financial statements of TISG as at 31 December 2022.

The reconciliation statement between the Parent Company's financial statements and the Consolidated Financial Statements is shown below.

	31/12/2023	
(in thousands of Euros)	**Net assets**	**Result**
Financial Statements of The Italian Sea Group S.p.A.	**130,672**	**36,682**
Derecognition of intercompany transactions	496	229
Total attributable to the Shareholders of the Parent Company	**131,168**	**36,911**
Shareholders' equity and minority interests	-	-
Total of the Consolidated Financial Statements	**131,168**	**36,911**

	31/12/2022	
(in thousands of Euros)	**Net assets**	**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**

SUMMARY & GENERAL INFORMATION

Company name: The Italian Sea Group S.p.A. (“**TISG S.p.A.**”)

Registered Office: Viale Cristoforo Colombo, 4/BIS, 54033 Marina di Carrara, 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

The Board of Directors of TISG will be in office until the approval of the Annual Financial Statements as at 31 December 2025.

Menchelli Filippo
Chair

Costantino Giovanni
Chief Executive Officer

Marco Carniani
Deputy Chair

Costantino Gianmaria
Non-Executive Director

Alfonsi Antonella
Independent Director

Laura Angela Tadini
Independent Director

Tesio Fulvia
Independent Director

AUDIT, RISK, SUSTAINABILITY & RELATED PARTIES COMMITTEE

Alfonsi Antonella	*Chair*
Laura Angela Tadini	*Standing Member*
Tesio Fulvia	*Standing Member*

APPOINTMENTS & REMUNERATION COMMITTEE

Tesio Fulvia	*Chair*
Alfonsi Antonella	*Standing Member*
Laura Angela Tadini	*Standing Member*

BOARD OF STATUTORY AUDITORS

Alfredo Pascolin	*Chair*
Bortolotti Barbara	*Standing Auditor*
Simbolo Felice	*Standing Auditor*
Sofia Rampolla	*Alternate Auditor*
Roberto Scialdone	*Alternate Auditor*

SUPERVISORY BOARD PURSUANT TO LEGISLATIVE DECREE 231/01

De Vivo Annalisa	*Chair*
De Luca Carlo	*Member*
Simbolo Felice	*Member*

INDEPENDENT AUDITING FIRM

BDO S.p.A.

MANAGER RESPONSIBLE OF PREPARING FINANCIAL REPORTS

Marco Carniani


ADMIRAL

GROUP PROFILE AND STRUCTURE

The Italian Sea Group S.p.A. is a global luxury yachting operator, listed on Euronext Milan ("**EXM**") and active in the construction and refit of motor yachts and sailing yachts up to 140 metres. The Group operates in the new building market under the Admiral, Tecnomar, Perini Navi and Picchiotti brands, and is active in the large refit business under the NCA Refit brand.

In 2023, TISG acquired 100% of Celi 1920, a prestigious cabinetmaker specialising in wooden furniture for yachts.

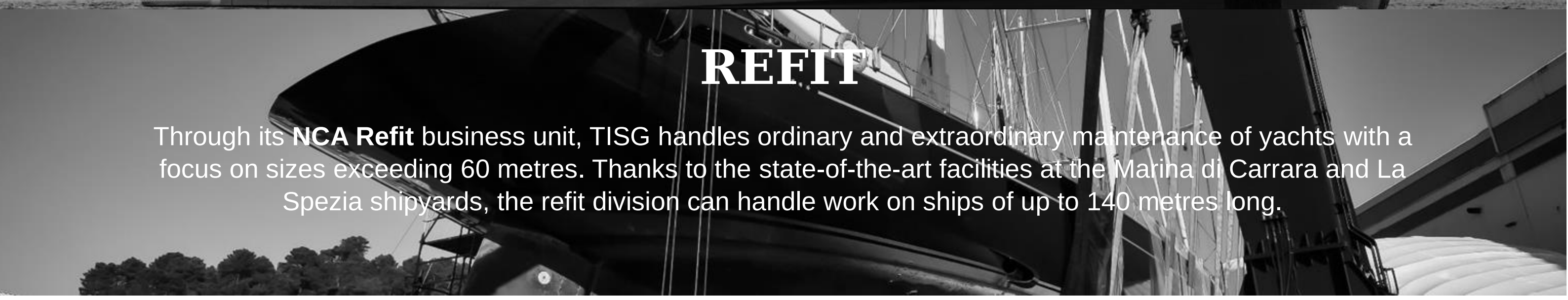
According to the Global Order Book 2024, an international ranking compiled by Boat International, The Italian Sea Group is the leading Italian producer of superyachts of over 50 metres.

The Italian Sea Group S.p.A.

- Perini Navi USA (100%)
- Celi 1920 (100%)
- TISG Turkey (100%)

SHIPBUILDING

New yacht building through its brands **Admiral**, renowned for its prestigious and elegant yachts, **Tecnomar**, known for its sportiness, cutting-edge design and high performance, **Perini Navi,** excellence in the design and construction of large sailing yachts, and **Picchiotti**, a historic Italian nautical brand with classic and elegant lines.



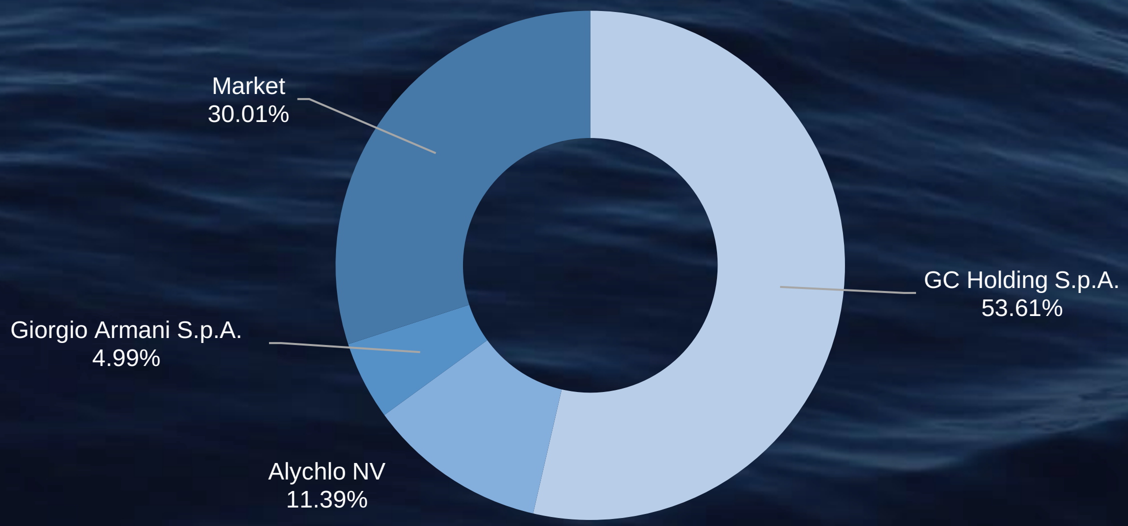
REFIT

Through its **NCA Refit** business unit, TISG handles ordinary and extraordinary maintenance of yachts with a focus on sizes exceeding 60 metres. Thanks to the state-of-the-art facilities at the Marina di Carrara and La Spezia shipyards, the refit division can handle work on ships of up to 140 metres long.

SHAREHOLDERS

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 shareholder structure is as follows:



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

INFORMATION ABOUT THE GROUP

The Italian Sea Group S.p.A. (“**TISG**” or the “**Group**”) is one of the best-known players in the international luxury yachting industry, specialising in the design and construction of sailing and motor yachts of up to and exceeding 100 metres.

Through its **Admiral**, **Tecnomar**, **Perini Navi** and **Picchiotti** brands, since its foundation in 2009 to the present day TISG has consolidated its presence in the nautical world with a high-end positioning, reinforced not only by the quality and uniqueness of its products but also by its partnerships with prestigious Italian luxury brands such as **Giorgio Armani** and **Automobili Lamborghini**.

Today, The Italian Sea Group is the third largest shipyard in the world and the first in Italy building yachts over 50 metres long[1].

Through its **NCA Refit** brand, which is complementary to its shipbuilding business, the Group manages the ordinary and extraordinary maintenance of sailing and motor yachts, with a specific focus on vessels between 60 and 140 metres in length.

In 2023, The Italian Sea Group also acquired **Celi 1920**, a prestigious cabinet-making company, with the aim of internalising a large part of its furniture business needs so as to be able to offer maximum customisation and flexibility to customers' requests.

TISG has always stood out for its ability to offer its Owners a true luxury experience, which is expressed in high quality workmanship, attention to detail, state-of-the-art technology and innovative design solutions.

These elements, combined with passion, know-how, professionalism, taste for beauty and art, hospitality, and customer care, characterise the uniqueness of the Group's philosophy.

Due to their size and technical and stylistic detailing, The Italian Sea Group's yachts appeal to Ultra High Net Worth Individuals (“**UHNWI**”) clientele, a highly resilient market segment.

[1] *Source:* Boat International, Global Order Book 2024

BRANDS

PICCHIOTTI

Founded in 1575, the Picchiotti brand is inextricably linked to the history of Italian and Mediterranean yachting.

This long tradition began with the construction of work boats and ocean-going sailing ships, and then passing on to important military orders, making the Picchiotti brand a pioneer of the first pleasure yachts in Italy. The largest ship built by the brand, in 1982, is "**Al Said**" (103 metres), which is fitted out in Marina di Carrara, in the hangars of The Italian Sea Group S.p.A.

Under the Picchiotti brand, TISG has developed the semi-custom "**Picchiotti Gentleman**" line, a fleet of motor yachts from 24 to 55 metres inspired by the silhouettes of American yachts of the 1960s, offering timeless elegance.

ADMIRAL

The first Admiral boat, 18 metres and made entirely of wood, was created in 1966. In the mid-1970s, the first wooden (30-metre) motor-yacht was launched, an extremely *avant-garde* product for that time period, which would lead Admiral to build the first aluminium and steel hulls in the early 1980s.

Today, Admiral is the flagship brand of The Italian Sea Group, offering experienced Owners around the world large yachts characterised by elegant and refined aesthetics, timeless style and the possibility of total customisation.

PERINI NAVI

The story of Perini Navi began in 1983, when founder **Fabio Perini** launched the prototype of a sailing yacht that could be managed safely with a small crew, thanks to the invention of an automatic sail furling system.

The iconic Perini Navi fleet boasts over 60 of the world's most admired yachts, such as the legendary 88-metre clipper "**Maltese Falcon**".

Following the acquisition in 2022, The Italian Sea Group delivered the first sailing catamaran under the Perini Navi brand, the 47-metre "**Art Explora"**, one of the largest in the world. In March 2023, TISG presented to the market the new Perini Navi fleet, "**Genesis**", which reinterprets the iconic stylistic elements of the prestigious brand in a modern key.

TECNOMAR

Introduced to the market in 1987, the Tecnomar brand is dedicated to building fast motor yachts up to 50 metres.

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

One example is the 43-metre motor yacht “**This Is It”**, with its futuristic outline and state-of-the-art interior, which was one of the most popular models at the Monaco Yacht Show 2023.

NCA REFIT

NCA Refit boasts an absolute specialisation in the refitting and repair of both motor and sailing super-yachts and mega-yachts backed by the skills and expertise of a team of highly qualified engineers, architects and technicians as well as a comprehensive offer of exclusive services reserved for crews.

Strategically located in Marina di Carrara and La Spezia, with a total area of more than 130,000 square metres, the brand's state-of-the-art facilities have unique features that make NCA Refit one of the most important naval hubs in the Mediterranean.

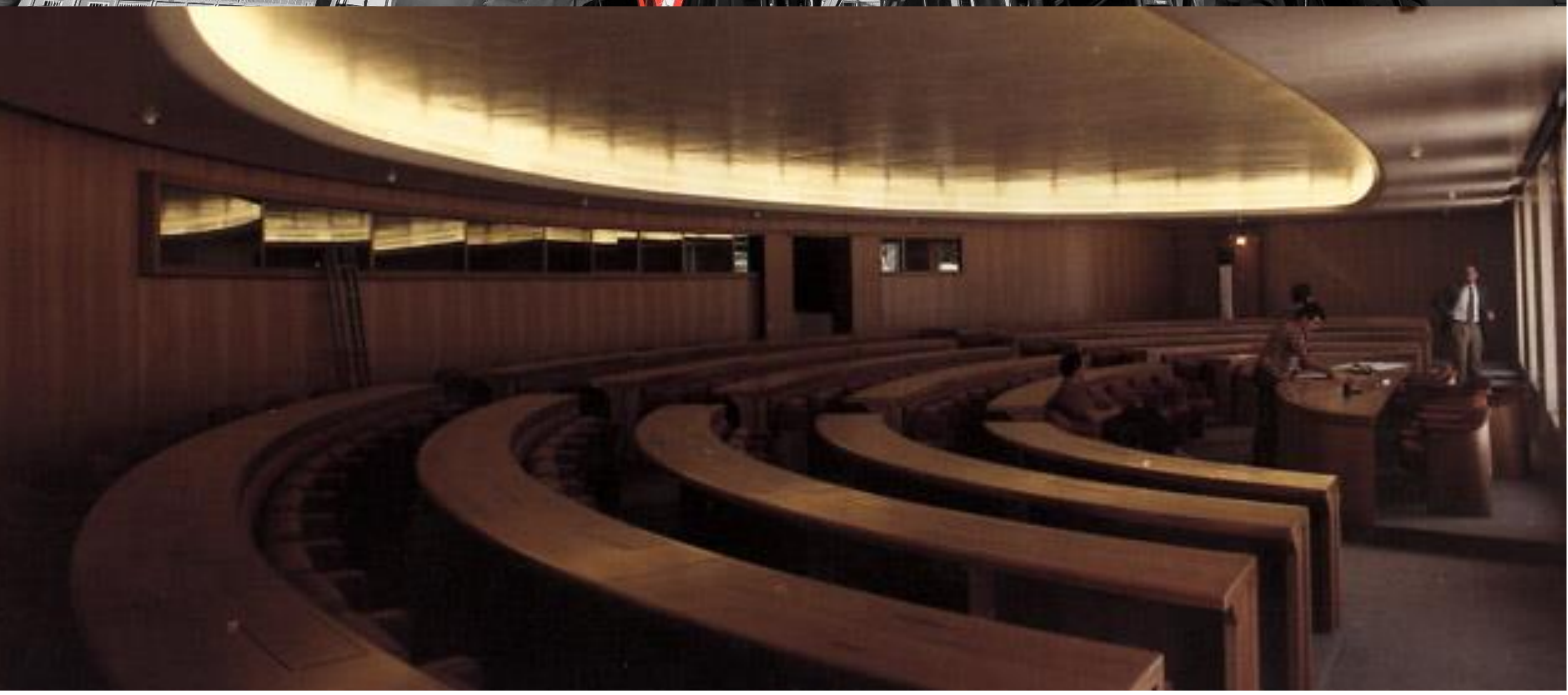
CELI 1920

Since its foundation in 1920, experience, craftsmanship and technology have made Celi an international benchmark in the design and building of high-quality furniture.

In precision cabinetmaking, Celi has developed over time rigorous construction methods and uses advanced production technologies, while retaining all the values and qualities of “handmade” products.

Throughout its prestigious history, the Celi brand has assisted internationally renowned architects in the development of large and prestigious works, including Renzo Piano's Auditorium Parco della Musica.


PICCHIOTTI



GROUP'S BRIEF HISTORY

The Italian Sea Group's story 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 in the small boat market, made worse by the continuing credit crunch and the financial defaults of Owners, the Group acquired the **Admiral** brand in November 2011, thus expanding its offer with the aim of entering the larger market, which is more resilient and less subject to economic cycles.

The rapid growth in the number of contracts and the increase in the size of the orders on the books created the need to invest in a larger production site with direct access to the sea. For this reason, in 2012, GC Holding S.p.A. acquired 100% of **Nuovi Cantieri Apuania S.p.A**. (now The Italian Sea Group S.p.A.), which produces commercial and cruise ships at the Marina di Carrara shipyard.

The production site in Marina di Carrara, currently the TISG headquarters, was established in 1942, and even then had modern facilities and plants to produce medium tonnage ships. In 1973, after two decades of investments in upgrading the facilities, the shipyard was further expanded with the construction of a dock 200 metres long and 35 metres wide.

The acquisition and the establishment of the shipyard allowed the employment levels to be maintained and the relaunch of a company with a recent past as a leading player in the large shipbuilding industry, through the expansion of production capacity and retaining valuable specialised know-how in the reference segment.

This was followed by major investments in the renovation and expansion of the registered office, the organisation of areas dedicated to new productions, the construction of a steel workshop, an upholstery, and the expansion of the areas dedicated to refit activities, started in 2015.

Starting in 2020, a series of investment plans ("**TISG 4.0**" and "**TISG 4.1**") were resolved on, which aimed at further increasing the shipyard's production capacity and which were completed in the first half of 2023.

To date, the Marina di Carrara shipyard covers an area of approximately 120,000 square meters and boasts an absolutely strategic position, particularly for refitting.

Overlooking the Mediterranean, at a short distance from famous Italian touristic and recreational destinations – and consequently a privileged stopover for yachts in the summer season – the shipyard is equipped with state-of-the-art facilities and recreational spaces for crews that, combined with the management's expertise and the quality of its services, allow the Group to be an important reference point for Owners and captains from all over the world.

The headquarters are equipped with: (i) **two dry docks**, of 200 metres and 147 metres respectively; (ii) 7 outfitting hangars, covered by photovoltaic panels; (iii) a floating dock with a lifting capacity of up to 3,300 tonnes.

On 22 December 2021, through its wholly-owned subsidiary New Sail S.r.l. (later merged by incorporation within the Parent Company), it acquired Perini Navi S.p.A. at the bankruptcy auction called by the Court of Lucca, for Euro 80 million.

The acquisition includes the industrial and real estate assets of the shipyards in Viareggio and La Spezia, the real estate assets of Pisa, the Perini Navi and Picchiotti trademarks, patents, the shareholding in Perini Navi USA Inc. (100%) and the existing legal relationships with employees and third parties.

In 2023, TISG sold the office building in Viareggio and, at the time of writing of this report, the sale of the Picchiotti shipyard is being finalised.

In 2022, The Italian Sea Group completed the acquisition of 100% of the shares of **TISG Turkey Yat Tersanecilik Anonim Sirketi** ("**TISG Turkey**"), a company through which TISG controls and supervises the hull and superstructure carpentry activities it carries out in Turkey.

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

In line with the internalisation of key supply chain activities – a strategy already pursued in time with the creation of internal workshops for steelworks, upholstery, and metal carpentry – in the first half of 2023 TISG completed the acquisition of 100% of CELI S.r.l. ("Celi") shares, a cabinetmaker founded in 1920 with experience in both the yachting and the construction sector.

Through Celi's experience and innovative production systems, The Italian Sea Group is also entering the luxury real estate and hospitality sectors, for clients who are interested in high-end custom-made furniture also for projects on land.

INVESTMENTS

The history of The Italian Sea Group is based on strategic acquisitions, the relaunch of historical brands and significant investment strategies, in particular on the production capacity and the streamlining of its facilities in order to increase the range of services and facilities available to customers, suppliers and employees.

Services

Opened in 2019, the Village is an area intended for Owners, employees, captains and crews and represents a strong competitive advantage for TISG compared to other shipyards offering refitting services in the Mediterranean, as an added value for captains and crews, the main decision-makers when choosing the shipyard where to carry out maintenance activities.

The two-storey building includes: (i) a Gourmet Restaurant with a Lounge Bar and a relaxation area; (ii) a fully equipped gym with a specific personal trainer; (iii) and a wellness and spa area with steam bath, sauna, experience shower, jacuzzi and a “Zero-Body” technology bed.

Internalisation

Operating in a revolutionary manner 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 greater added value, such as (i) **Steelworks**, an in-house workshop where all the steel finishes are made and which are then assembled on the yachts under construction; (ii) **Upholstery**, a division that makes all the leather and fabric upholstery and padding and all the upholstery details in projects in progress; (iii) **Outfitting Carpentry**, for the assembly of technical elements on board; (iv) **Woodworking** through its wholly owned subsidiary Celi S.r.l.

Specifically, on the latter, the Group has made a series of investments to double its production capacity with the aim of internalising up to 70% of its wooden furniture needs.

The internalisation of these activities allows the Group to have greater control over the quality and *timing of* these activities and encourages significant cost containment, ensuring the high standards required by Owners and their surveyors.

In addition, The Italian Sea Group has an in-house **Design Department**, staffed by approximately 30 young architects, who work together with customers who request it to develop the design of the yachts' interior and exterior lines, responding promptly to their every need.

Production Capacity

Since 2018, The Italian Sea Group has invested around **Euro 79 million** in expanding the production capacity within its shipyards: currently, the Group operates across 3 locations in Italy (Marina di Carrara, La Spezia and Viareggio), woodworking facilities in Terni for Celi, and has a number of facilities in Turkey for hull and superstructure construction.

Marina di Carrara

In early 2020, TISG resolved on an investment plan entitled "**TISG 4.0**". The investment, aimed at upgrading the facilities at Marina di Carrara and completed in the first half of 2023, included the following interventions:

(i) Construction of a **new hangar** capable of accommodating up to **two yachts** of about 80 metres in outfitting;

(ii) Construction of a **new dry dock** with a maximum capacity of **four yachts between 60 and 70 metres** and **ships up to 140 metres**;

(iii) Construction of an **additional hangar to cover the original dry dock**, capable of accommodating up to **two yachts** of approximately **90 metres** or **one yacht of 100 metres** in outfitting.

Subsequently, at the end of 2021, the Group resolved on a further investment plan, entitled "**TISG 4.1**", to further increase the production spaces at the headquarters through:

(i) Expansion on the **Chiesa Quay** to increase the space dedicated to refit activities, creating new berthing spaces for large yachts;

(ii) A **new hangar** next to the old dry dock to accommodate up to **four yachts between 75 and 80 metres** in outfitting;

(iii) **New spaces** in the old Lamborghini hangar, dedicated to warehouses and services for new constructions.

La Spezia and Viareggio

The acquisition of Perini Navi ensured that TISG could further increase its production capacity through the integration of its two shipyards in La Spezia and Viareggio.

The facilities, which were already in optimal condition for production since the completion of the acquisition in February 2022, merely underwent some fine-tuning activities during the course of the year and became operational immediately.

Most of the investments were aimed 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, was transferred to La Spezia.

In 2023, the Group finalised the sale of the office building at the Viareggio shipyard. At the time of drafting this report, the sale of the state concession of the shipyard is in the process of being finalised.

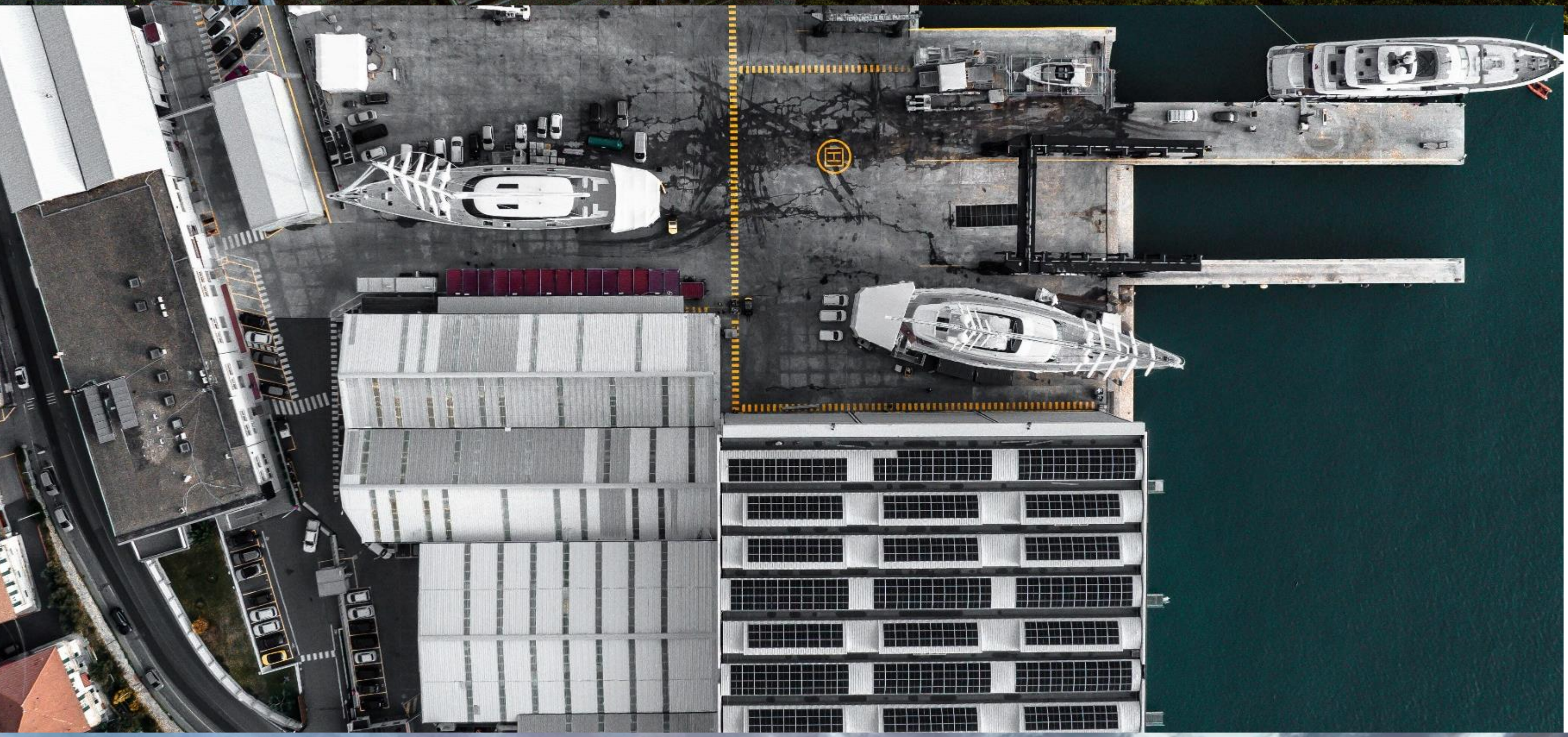
In early 2024, TISG restarted its woodworking hub in Viareggio, and opened a flagship store for Perini Navi.

TISG Turkey

Through TISG Turkey, the Group operates across seven shipyards in Turkey, in the Istanbul and Antalya areas, with a network of partners which are responsible for building the hulls and superstructures of the commissions in progress.

TISG bears the rent of two of the shipyards on which it is active: Hercelik and Naveks, both in the Yalova district (near Istanbul), covering a total area of over 30,000 square metres.


THE ITALIAN SEA GROUP




CELI
1920
Brand of
THE ITALIAN SEA GROUP
CELI
1920
CELI

BUSINESS DEVELOPMENT

Over the years, TISG has strengthened its presence in the international yachting market, both in Europe and beyond, by establishing major partnerships with leading yacht brokers worldwide.

In fact, TISG's business strategy envisages a balanced distribution in the different geographic areas, with a significant expansion of the Americas in the last two years and the aim of further consolidating its presence in Asia and the Middle East.

The broad product offering, enriched with the introduction of the new Perini Navi "Genesis" fleet presented in March 2023 and the new projects in the pipeline, together with a global sales force, have led TISG to be a main reference point in the sector, establishing itself as the leading Italian manufacturer and the third in the world for the large size segment.

In 2023, The Italian Sea Group also made its return to the Monaco Yacht Show, the most prestigious nautical event, presenting four large yachts, including three new models.

TISG's future prospects also include the development of a number of new semi-custom designs for new construction, so that the new production capacity can be utilised to the hilt, with minimal impact on design capacity, which remains focused on large full-custom designs.

Some of the new designs announced to the market include the three presented at the opening press conference of the Monaco Yacht Show: (i) Admiral Explorer, 50mt; (ii) Tecnomar EVO 155, 46mt; and (iii) Tecnomar CAT 133, 40mt.

Following the completion of the investments in the Marina di Carrara, La Spezia and Celi sites, the Group does not expect to make any further significant investments in production capacity, aside from some minor work to expand the sales offices in Marina di Carrara ("**TISG New Era**").

With the acquisition of Celi and the subsequent interventions on production capacity, TISG consolidated its strategy of internalising the most value-added activities of the production chain, with the aim of improving margins and having greater control over the quality and timing of work in line with the Group's "*no delays, no remarks*" policy.

Through Celi, TISG aims not only to internalise up to 70% of its wood furniture requirements for yachts under construction, but also to take advantage of important growth opportunities in the extra furniture sector for hospitality and luxury real estate.

MARKET OUTLOOK

SHIPBUILDING

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 of $50 million or more.

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

It is important to emphasise that TISG's customers - and in general the UHNWIs who represent the potential customer base for large yachts - are ***cash buyers*** and they do not use any type of financing (e.g. leasing) to purchase products.

For this reason, and also because of the limited penetration of this market segment (< 2%), the demand for large yachts remained more or less constant after the post-COVID increase.

This sharp increase is due, on the one hand, to an increase in UHNWI and, on the other hand, to a growing desire on the part of these “rich people of the world” for a new need for exclusivity and comfort. In particular, after the pandemic, this category of customers felt the need to build for themselves and their families fully-fledged “moving islands”, fully customised, where they could live life without restrictions and in total security and privacy.

[2] Source: Credit Suisse, Global Wealth Report 2022.

REFIT

Refitting is an extremely anti-cyclical activity for The Italian Sea Group, as routine maintenance is in many cases mandatory to ensure the yacht remains compliant with standards that change over the years. This activity also allows the Group to expand its customer base and to keep up-to-date with industry innovations.

It is also an activity with very strong barriers to entry, as it requires the correct technical expertise, significant investment in production capacity and equipment, and a reputation built over time with Owners and crews.

In recent years, the number of shipyard visits for refit work on yachts over 30 metres has been increasing by about 1,450 per year globally[3]. This increase is due to a growth in the number of yachts at sea and an ageing global fleet.

It is important to emphasise that, over the years, Italy has become the reference point for Refitting in Europe, not only as the country having the largest number of dedicated facilities, but also in terms of the number of activities carried out, with a significant increase from 2021 to 2022 compared to other countries active in the sector.

[3] Source: SuperYachtTimes, The State of Yachting 2023

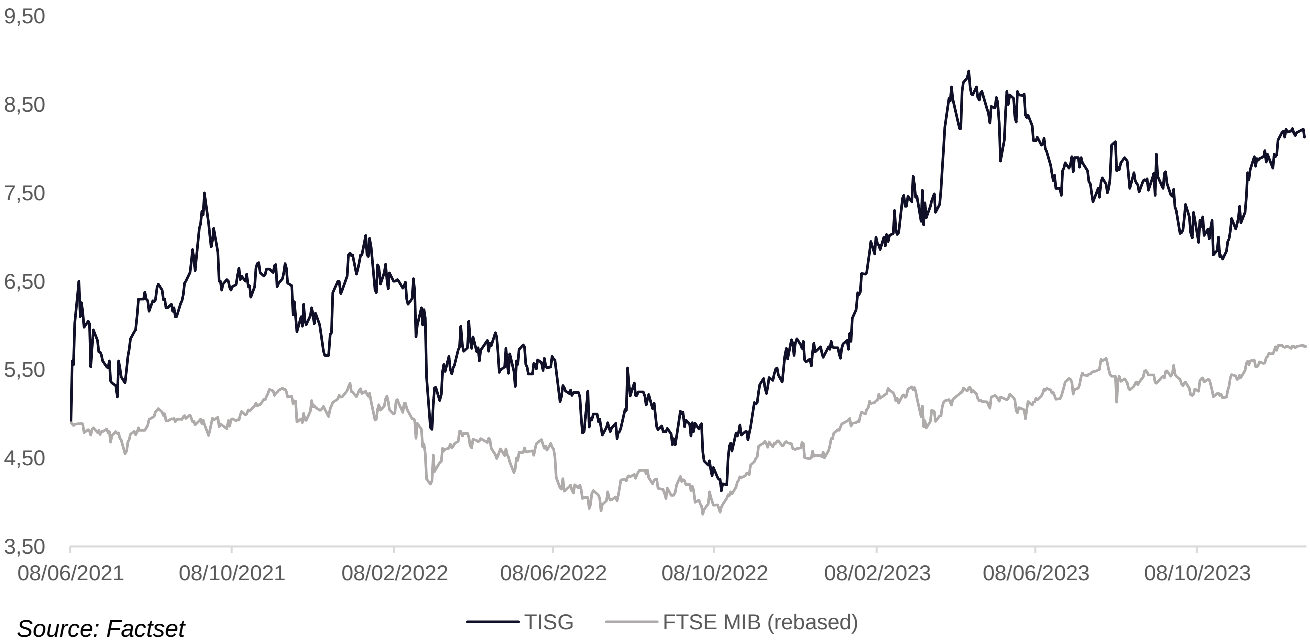
PRESENCE IN FINANCIAL MARKETS

Since 8 June 2021, the shares of The Italian Sea Group S.p.A. have been listed on Euronext Milan, a market regulated and managed by Borsa Italiana, with an initial placement price of **Euro 4.90**. The share capital amounts to **Euro 26,500,000**, fully paid-up and subscribed.

STOCK EVOLUTION

From the first day of trading (8 June 2021) to 31 December 2023, the stock increased by **+68%** from the placement price. In the same period, the FTSE Mib index increased by **+18%**.

From 1 January to 31 December 2023, the stock increased by **+45%**.



Source: Factset

INVESTOR RELATIONS ACTIVITIES

ANALYST COVERAGE

The stock is currently covered by **four financial brokers**: Intermonte, Berenberg, TPICAP MidCap and Kepler Cheuvreux. The latter started covering the stock in **May 2023**.

Intermonte acts as a Specialist for TISG.

At the date of drafting this report, the four analysts have a unanimous "BUY" recommendation on the stock and an average Target Price of **Euro 12.4**.

Broker	Analyst	Recommendation	Target Price (EUR)	Last update
Intermonte	Francesco Brilli	BUY	12.50	21/03/2024
Berenberg	Anna Frontani	BUY	12.50	22/03/2024
TPICAP | MiCap	Filippo Migliorisi	BUY	12.40	22/02/2024
Kepler Cheuvreux	Niccolò Storer	BUY	12.20	27/03/2024

MEETINGS WITH INVESTORS AND THE FINANCIAL COMMUNITY

During 2023, The Italian Sea Group carried out strong communication activities with the market and the financial community through conference calls, site visits, conferences and dedicated events.

On **24 January 2023**, the Group met with investors at its first ***Capital Markets Day***, where it presented an update on its economic-financial strategy and outlook for 2023-2024.

TISG also held **four conference calls** to present its financial results on the following occasions:

- **21 March 2023 |** Presentation of Financial Results at 31 December 2022
- **10 May 2023 |** Presentation of Quarterly Results at 31 March 2023
- **7 September 2023 |** Presentation of Half-Year Results at 30 June 2023
- **7 November 2023 |** Presentation of Quarterly Results at 30 September 2023

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

- **9 February 2023 |** Frankfurt MidCap Conference (Intermonte)
- **13 March 2023 |** EU Opportunities Conference (Berenberg)
- **12 May 2023 |** TPICAP Annual Paris Conference (TPICAP MidCap)
- **16 May 2023 |** Nordics Digital Conference (Intermonte)
- **23 May 2023 |** Italian Investment Conference (Kepler Cheuvreux)
- **27 September 2023 |** Made In Italy Excellences (Intermonte)
- **16 November 2023 |** Madrid MidCap Conference (Intermonte)

- **6 December 2023 |** European Conference (Berenberg)

The Group also involved its investors in some corporate events, such as the unveiling of the first hull designed in collaboration with the designer Giorgio Armani (**11 February 2023**), the presentation of the new Perini Navi fleet (**15 March 2023**) and the Monaco Yacht Show (**27-29 September 2023**).

TISG met with a total of **over 200 individual institutional investors** through conferences, dedicated roadshows, site visits and one-to-one, in-person or virtual meetings.

FINANCIAL CALENDAR 2024

6 FEB 2024
Approval of Preliminary Figures as at 31 December 2023

7 FEB 2024
Capital Markets Day

21 MAR 2024
Approval of the Draft Financial Statements as at 31 December 2023

29 APR 2024
Shareholders' Meetings

15 MAY 2024
Approval of the Quarterly Report as at 31 March 2024

10 SEPT 2024
Approval of the Half-Yearly Financial Report as at 30 June 2024

12 NOV 2024
Approval of the Quarterly Report as at 30 September 2024

SUSTAINABILITY STRATEGY

The Italian Sea Group's ESG strategy encompasses all areas of the Group and is in line with best practices with the aim of creating long-term value for its stakeholders and setting a benchmark in the marine industry.

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

This led TISG to obtain its first **ESG rating**, of BBB, from Cerved Rating Agency in 2023 in the top performance bracket.

ENVIRONMENTAL

TISG's environmental commitment is not limited to offering green solutions in terms of products, but also extends to the production process.

In 2023, the Group completed the installation of photovoltaic panels on the Marina di Carrara and La Spezia construction shipyards, covering an area of 22,380sqm and 4,460sqm respectively. Thanks to photovoltaic panels the Group has been able to produce a considerable amount of energy, and to support its own production with renewable energy in the warmer months.

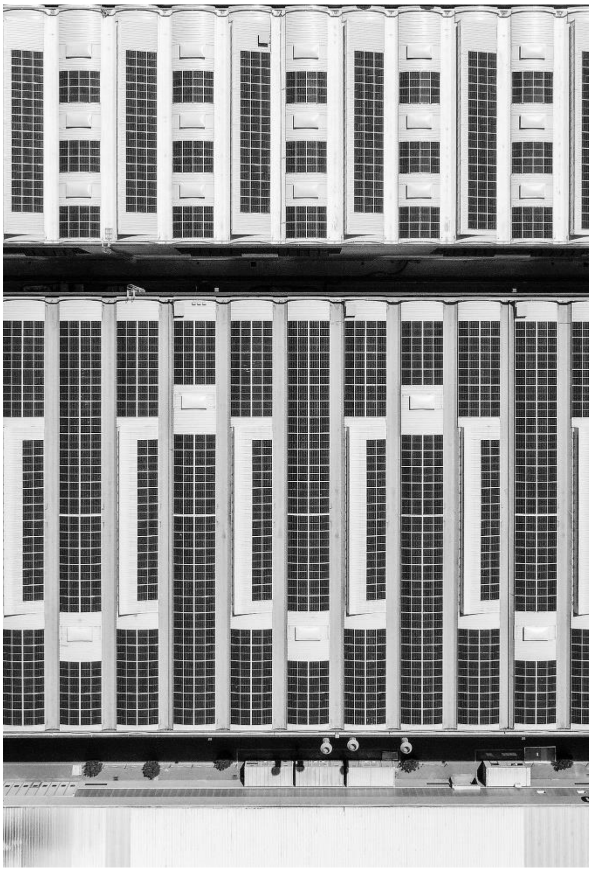
In addition, TISG purchased 100% of the residual energy from renewable sources for Marina di Carrara.

In terms of product, the Group has always been committed to offering the best solutions in terms of platforms for alternative propulsion when requested by customers.

Already in 2016, TISG had delivered **M/Y Quinta Essentia** (55m), which was the world's largest hybrid yacht at the time.

Today, TISG products have a number of sustainable features, such as: (i) voluntary green class notations; (ii) catalytic and particulate filters; (iii) solar panels that can be installed on the deck-house; (iv) battery packs that allow 6h of autonomy at anchor and 4h of navigation with zero emissions, and manoeuvring in harbour and protected areas in full electric mode.

In 2023, TISG also neutralised its Scope 1 and Scope 2 (market based) emissions for the year 2022 and obtained **ISO:14001** certification for its **Environmental Management Systems** one year ahead of its ESG plan.



SOCIAL

TISG's commitment to the social sphere extends not only to employees but also to the area and its suppliers.

The Group pays considerable attention to its employees' well-being and to building a solid internal know-how through special **training courses** held in the TISG Academy, which opened in 2021.

The courses, in cooperation with some of Italy's top naval engineering and yacht design faculties, allow the Group not only to develop the technical skills of its in-house resources, but also to prepare the ground for future workforce by offering students the best internship and apprenticeship opportunities.

In 2023, TISG conducted a climate analysis involving all the employees in Italy and Turkey and the employees of the newly acquired Celi, and further worked towards a greater gender balance in management positions.

Outside its borders, TISG focuses on sustainable supply chain management, supporting the liquidity of its suppliers through reverse factoring agreements.

In 2023, the Group mapped the ESG criteria for all of its suppliers, both Italian and foreign.

Finally, The Italian Sea Group is the only shipyard that has joined the UN **Global Compact** initiative.

GOVERNANCE

The Italian Sea Group's ESG strategy is based on sound governance, which is also geared towards sustainability governance.

In 2023, the Shareholders' Meeting reappointed the **Board of Directors**, with a high percentage of independence and female representation.

Furthermore, the Risk Control Committee, which is completely composed of independent directors, also assumed responsibility for sustainability issues.

TISG's corporate structure is based on a solid system of “best-in-class” policies and procedures, including a Supplier Code of Conduct, which aligns TISG's partners with the Group's values.

The Italian Sea Group also holds top certifications such as **ISO:9001** for **Quality Management Systems**, **ISO:45001** for **Occupational Health and Safety Management Systems**, and **JH-143** certification for risk assessment & control at all shipyards, both in Italy and in Turkey.

TISG has also obtained the **AEO - Authorised Economic Operator** certification as recognition of reliability as a customs operator.

PRIZES AND AWARDS 2023

During 2023, The Italian Sea Group received numerous awards for the quality, design and innovation of its yachts, most notably the 75-metre M/Y **Admiral Kenshō**.

The prestigious awards further reinforce the Group's high-level positioning and add an element of desirability and confidence for potential Owners in the industry.

Boat International
2023 World Superyacht Awards
M/Y Admiral Kenshō – Motor Yacht of the Year
M/Y Admiral Kenshō – Best Motor-yacht 1'500GT and Above

Boat International
2023 Design & Innovation Awards
M/Y Admiral Kenshō – Best Interior Design, Motor Yachts 500GT and Above

Design et al.
The International Yacht & Aviation Awards 2023
M/Y Admiral Kenshō – IYA Bathroom

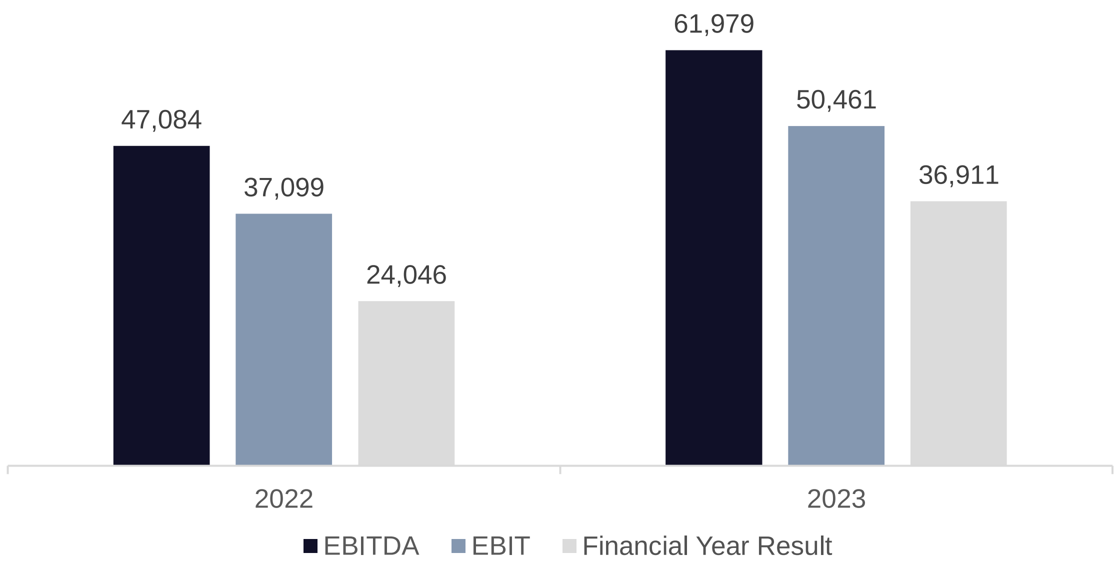
Robb Report
Best of the Best
M/Y Admiral Kenshō – Best Marine Interior

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

In thousands of Euros	31/12/2023	31/12/2022
Operating revenues	360,258	291,510
Other proceeds and income	8,366	7,266
Commissions	(4,166)	(4,093)
Total revenues	**364,458**	**294,684**
Costs for raw materials	(79,342)	(68,133)
Cost for outsourced work	(147,906)	(117,942)
Technical services and consultancy	(17,532)	(16,700)
Other costs for services	(14,021)	(12,787)
Staff costs	(38,649)	(29,562)
Other operating costs	(5,028)	(2,477)
EBITDA	**61,979**	**47,084**
Percentage on total revenues	*17%*	*16.0%*
Amortisation, depreciation, write-downs	(11,518)	(9,985)
EBIT	**50,461**	**37,099**
Percentage on total revenues	*13.85%*	*12.59%*
Net financial charges	(5,527)	(3,817)
Income from extraordinary charges	308	(3,867)
EBT	**45,242**	**29,415**
Taxes for the financial year	(8,331)	(5,368)
RESULT FOR THE FINANCIAL YEAR	**36,911**	**24,046**
Percentage on total revenues	*10.1%*	*8.2%*

TREND OF ECONOMIC INDICATORS | 2022 - 2023

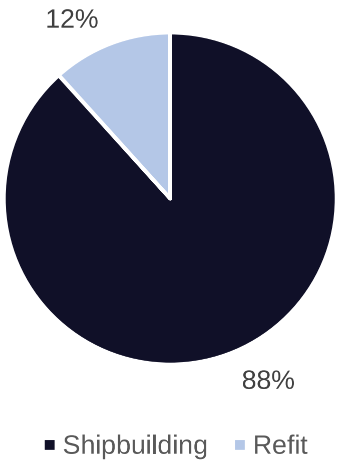
In thousands of Euros



OPERATING REVENUES

Operating revenue of **Euro 360,258 thousand** as of 31 December 2023 increased by **24%** from EUR 291,510 thousand in 2022.

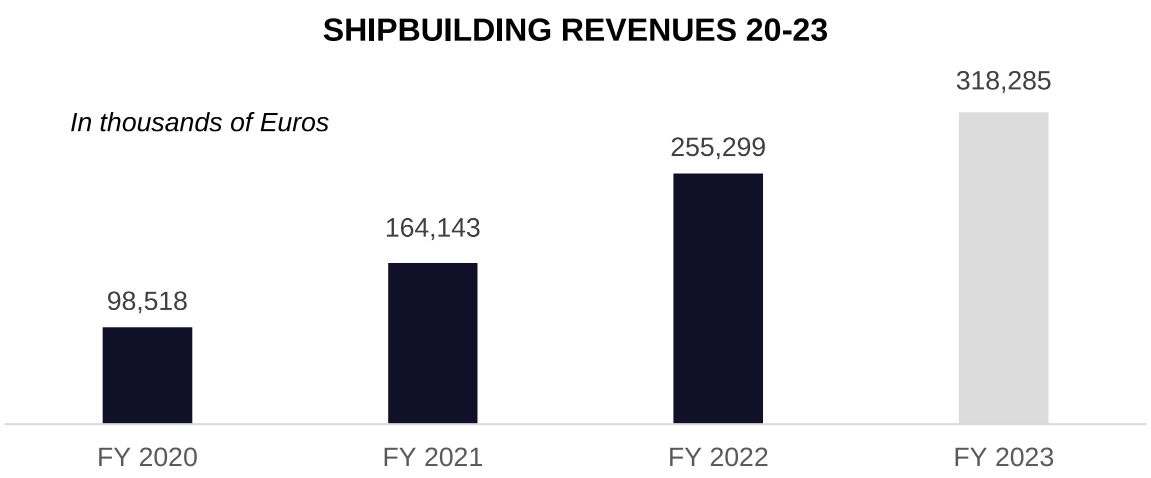
This item is split between the **Shipbuilding** and **Refit** divisions as follows:



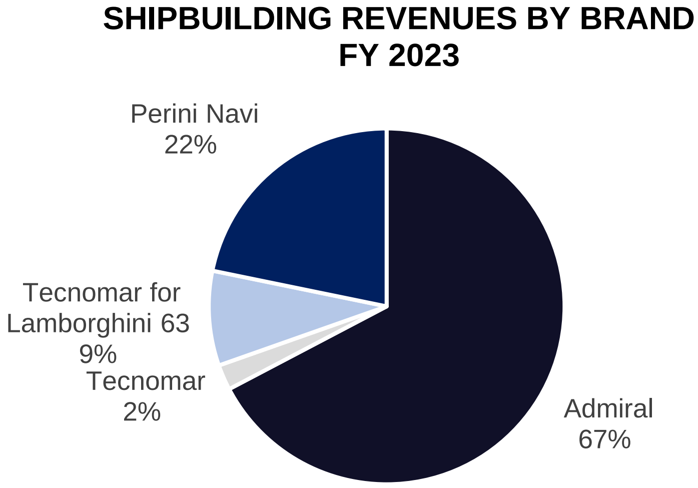
SHIPBUILDING

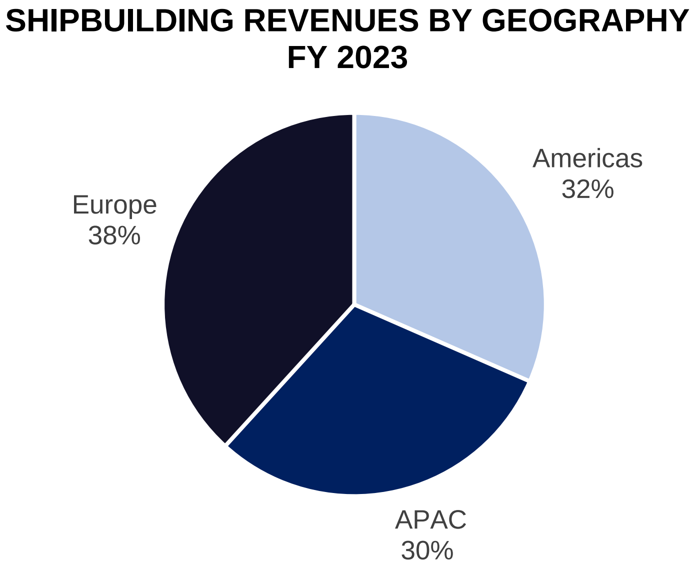
Revenues of the **Shipbuilding** Division amounted to **Euro 318,285 thousand** as at 31 December 2023, up **24.6%** from EUR 255,299 thousand in the previous year.

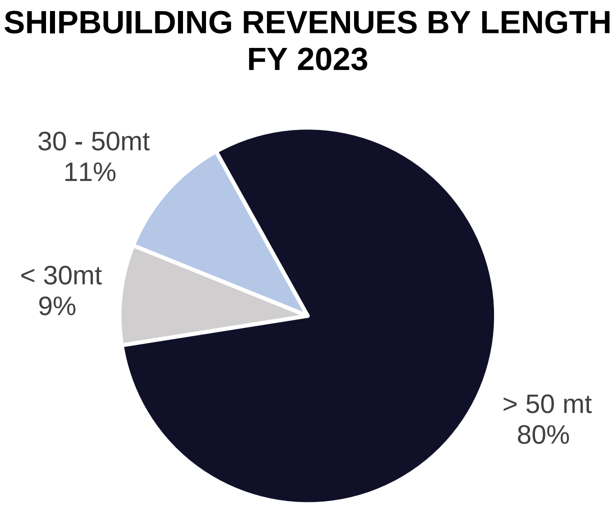
Since 2020, the Shipbuilding Division's revenues have grown at a CAGR of **48%**.



The breakdown of Shipbuilding revenues as at 31 December 2023 is as follows:



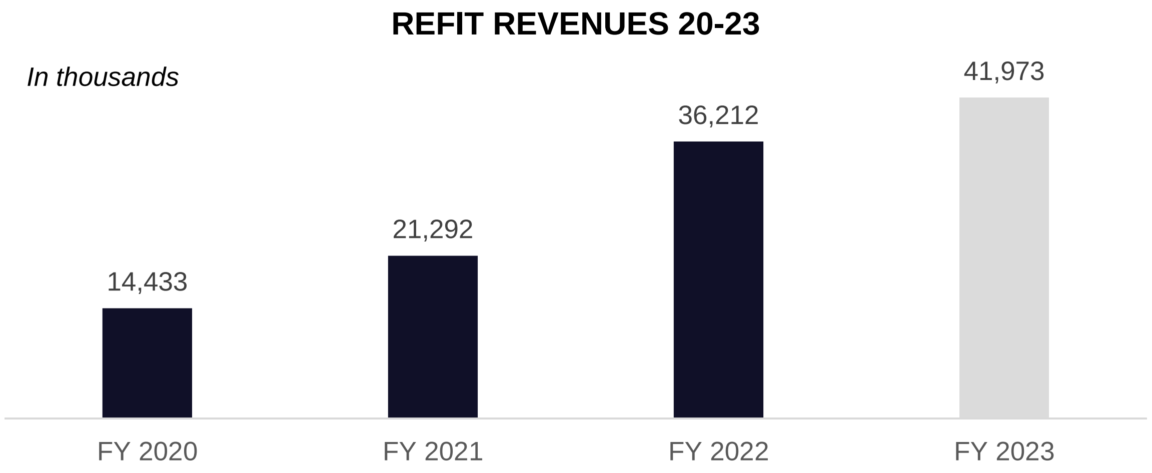




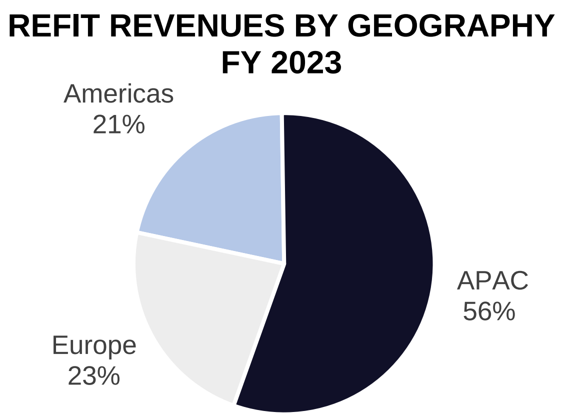
REFIT

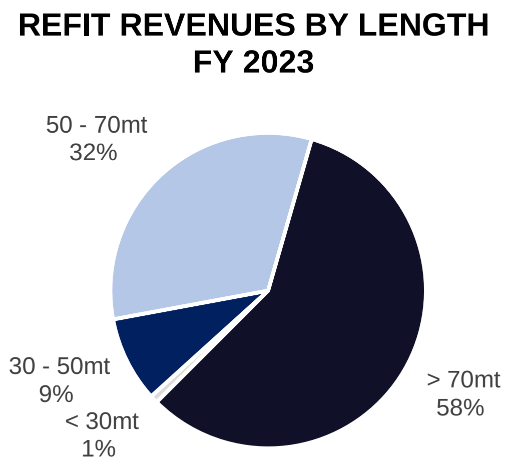
Revenues from the **Refit** division amounted to a total of **Euro 41,973 thousand** as at 31 December 2023, up **17%** from EUR 36,212 thousand in the previous year.

Since 2020, the Refit Division's revenues have grown at a **CAGR** of **43%**.



The breakdown of Refit revenues as at 31 December 2023 is as follows:





EBITDA

EBITDA as at 31 December 2023 was **Euro 61,979 thousand**, up 32% from EBITDA as at 31 December 2022, of Euro 47,084 thousand, and with a margin on Revenue of 17% (vs. 16% recorded in the previous year).

The increase in operating margins over time is attributable to:

(i) Strong focus on management of operating costs;

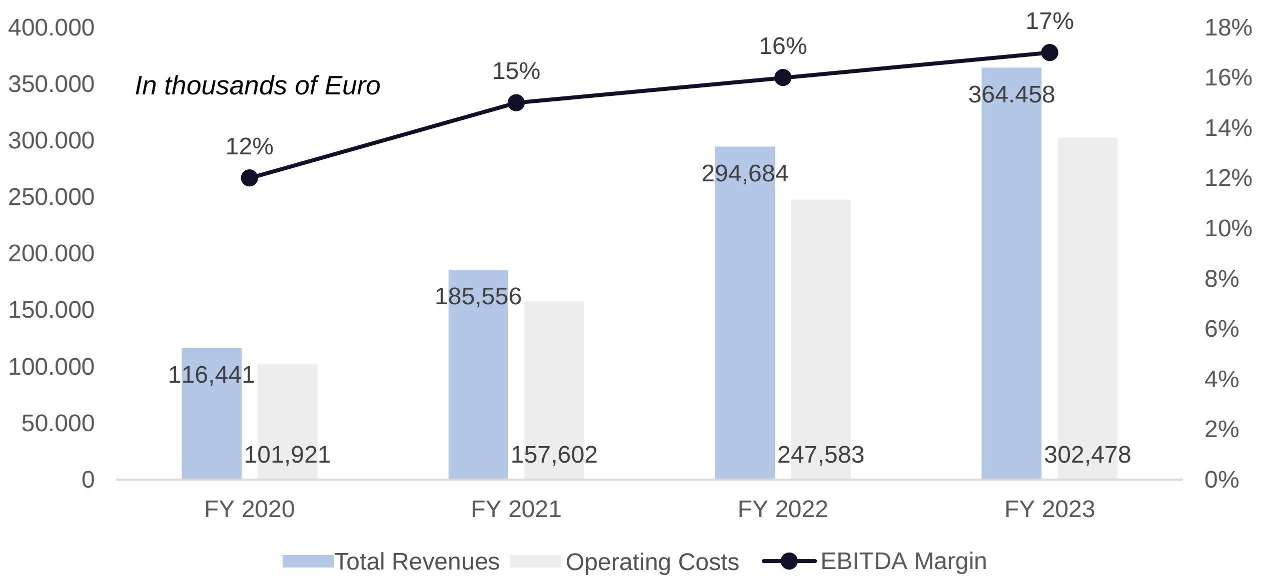
(ii) Improved efficiency of production processes;

(iii) Benefits deriving from completion of investments on production capacity with an optimal mix of synergies between Shipbuilding and Refit activities;

(iv) The internalisation of supply chain activities with higher added value, such as the acquisition of Celi for woodworking activities;

(v) Improvement in product marginality, due to an increase in sales prices and a constant affirmation of the Group's brands with Owners and yacht brokers all over the world;

(vi) Economies of scale, particularly on "*repeat-projects"* and *semi-custom* lines.



It is important to remember that, in accordance with its sales strategy, the Group generally 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 the 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.

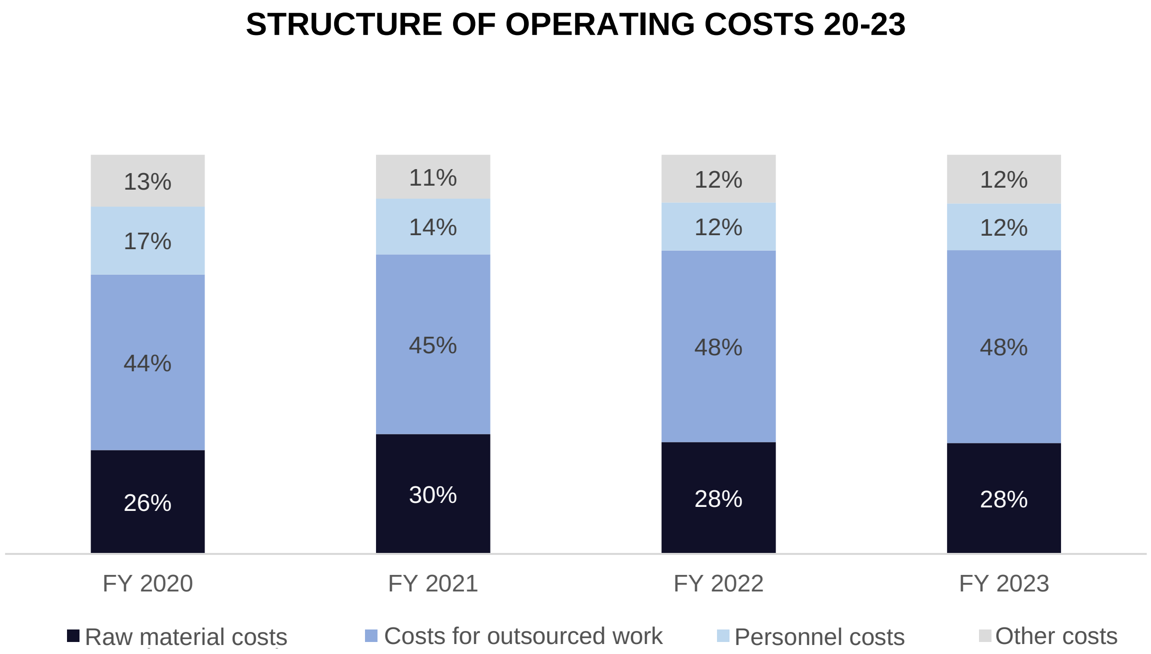
EBIT

EBIT as at 31 December 2023 amounted to **Euro 50,461 thousand** - an increase of **36%** compared to the amount recorded in the previous year of Euro 37,099 thousand - with an impact on Revenues of **13.85%** against amortisation, depreciation, write-downs, provisions and capital losses which, as at 31 December 2023, amounted to **Euro 11,518 thousand**.

OPERATING COST

The structure of **Operating Costs** is in line with the previous years.

As can be seen from the graph below:



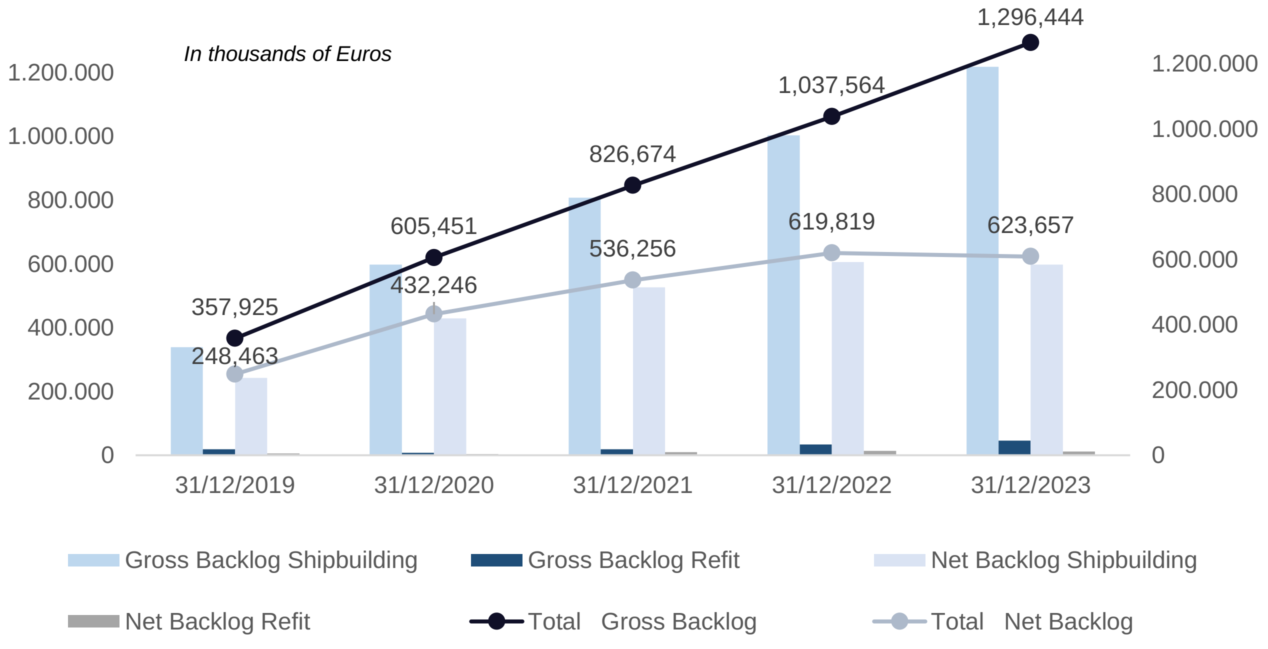
BACKLOG

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 works progress ("SAL") already paid by the customer.

As at 31 December 2023, TISG's **Gross Backlog (Shipbuilding and Refit**) amounted to **Euro 1,296,444 thousand** and includes 24 mega and giga yachts and 10 Tecnomar for Lamborghini 63 under construction, with deliveries scheduled until 2027.

Net Backlog (Shipbuilding and Refit) amounts to **Euro 623,657 thousand.**

In thousands of Euros	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**
Gross Backlog Shipbuilding	339,003	597,247	807,726	1,003.357	1,250,242
Gross Backlog Refit	18,922	8,204	18,948	34,207	46,202
Total Gross Backlog	**357,925**	**605,451**	**826,674**	**1,037,564**	**1,296,444**
Net Backlog Shipbuilding	242,410	428,892	526,639	605,832	611,964
Net Backlog Refit	6,053	3,354	9,617	13,987	11,702
Total Net Backlog	**248,463**	**432,246**	**536,256**	**619,819**	**623,657**



CONSOLIDATED RECLASSIFIED BALANCE SHEET STRUCTURE

In thousands of Euros	31/12/2023	31/12/2022
ASSETS		
Intangible Assets	35,625	35,715
Property, plant and equipment	126,533	135,216
Shareholdings	43	195
Net deferred tax assets and liabilities	3,035	(894)
Other non-current assets and liabilities	1,630	6,944
Provisions for non-current risks and charges	(4,335)	(3,431)
Provision for employee benefits	(959)	(1,251)
Net fixed capital	**161,572**	**172,494**
Inventories and payments on account	10,897	3,573
Contract work in progress and advances from customers	50,508	32,667
Trade receivables	24,007	21,469
Trade payables	(90,568)	(78,770)
Other current assets and liabilities	(26,867)	(31,061)
Current liabilities Net Working Capital	**(32,024)**	**(52,122)**
Total ASSETS - NIC	**129,548**	**120,372**
SOURCES		
Corporate capital	(26,500)	(26,500)
Share premium reserve	(45,399)	(45,431)
Reserves and other retained earnings	(22,409)	(13,023)
Currency translation reserve	83	0
Profit (loss) for the financial year	(36,911)	(24,046)
Shareholders' equity	**(131,136)**	**(109,001)**
Net financial indebtedness	1,587	(11,371)
Total SOURCES	**(129,548)**	**(120,372)**

There was a decrease in **Net fixed capital** as at 31 December 2023, compared to the year 2022: this was mainly due to the sale of the Viareggio business on 4 May 2023 and the reduction in other current assets and liabilities due to the consolidation adjustments of receivables from the subsidiary CELI for the tax settlement.

It is also worth mentioning the completion of the works for the implementation of a major reorganisation and expansion of the entire Marina di Carrara shipyard, known as the “TISG 4.0” and “TISG 4.1” project, the completion of the “TISG 4.2” project at the La Spezia site, the completion of the renovation works of the “Celi 1920” site with the aim of doubling its production capacity, and the creation of new sales offices at the Marina di Carrara site.

During 2023, the Group realised investments of Euro 10,941 thousand.

The increase in **Net Working Capital** is due in particular: to an increase in **Trade receivables** linked to the increase in the number of orders in progress, the increase in works in progress to orders by virtue of normal dynamics of production progress with respect to the invoicing of the interim payment certificates and the increase of the item **Other current assets and liabilities** which includes the payment of the deposits of new contracts for the production of yachts branded *Tecnomar for Lamborghini 63*.

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 2023 in the amount of Euro 36,911 thousand net of the dividend paid in the amount of Euro 14,416 thousand following the resolution of the Ordinary Shareholders' Meeting that approved the financial statements as at 31 December 2022 on 27 April 2023.

CONSOLIDATED NET FINANCIAL POSITION

Below is the **Net Financial Position** as at 31 December 2023, showing financial payables: (i) to banks, (ii) to Shareholders, and (iii) to other lenders, net of cash at bank and in hand.

in thousands of Euros	**31/12/2023**	**31/12/2022**
A. Cash at bank and in hand	29,897	80,725
B. Assets equivalent to cash at bank and in hand	46,516	592
C. Other current financial assets	0	0
D. Liquidity (A)+(B)+(C)	**76,413**	**81,317**
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(2)	(34)
F. Current portion of non-current financial debt	(11,661)	(14,163)
F.1 other current financial payables	(1,111)	(2,292)
G. Current financial debt (E+F)	**(12,774)**	**(16,490)**
H. Net financial debt (G-D)	**63,638**	**64,827**
I. Non-current bank debt (excluding the current portion of debt instruments)	(54,591)	(66,287)
J. Debt instruments	0	0
K. Non-current trade and other payables	(7,460)	(9,912)
L. Non-current financial debt (I+J+K)	**(62,051)**	**(76,198)**
M. Total financial debt (H+L)	**1,587**	**(11,371)**

The **Net Financial Position**, amounting to **Euro 1,587 thousand** at 31 December 2023, against a negative Net Financial Position of Euro 11,371,000 at 31 December 2022, reflects:

(i) the outlay during 2023 of **Euro 14.4 million** for the payment of dividends, following the Shareholders' Meeting resolution for the approval of the annual and consolidated financial statements at 31 December 2022 on 27 April 2023; and

(ii) investments made during 2023 equal to Euro 10.9 million related to the completion of the "TISG 4.0" and "TISG 4.1" investment plans, the "TISG 4.2" investments on the La Spezia shipyard, some investments regarding the expansion of the commercial offices in Marina di Carrara, and the completion of the refurbishing works of the "Celi 1920" headquarters, with the aim of doubling its production capacity.

Furthermore, it is important to note the sale of the building in Viareggio, which resulted in a net cash-in of Euro 10.6 million.

As per the IAS/IFRS accounting standards, the Net Financial Position includes the current value of rents due to the Port Authorities for the state concessions of the Marina di Carrara and La Spezia shipyards, which, at 31 December 2023, amounted to Euro 5.8 million, which will be paid based on the duration of the respective concessions.

Obtaining the extension of the concession on Marina di Carrara until 2072 will result in an update of the Net Financial Position, through the discounting of fees over its new duration.

The Net Financial Position does not include tax or trade debts for the Group.

During 2023, cash was generated from operations in the amount of Euro 27 million.

ALTERNATIVE PERFORMANCE MEASURES (“NON-GAAP MEASURES”)

The European Securities and Market Authority (ESMA) has published guidelines on Alternative Performance Measures (“**APM**”) for listed issuers.

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

In order to facilitate an understanding of the Group's economic and financial performance, the Directors have identified a number of alternative performance measures ("**Alternative Performance Measures**" or "**APM**"). Moreover, these measures represent tools to help the directors themselves identify operating trends and make decisions about investments, allocation of resources and other operational decisions.

For a correct interpretation of these APM, 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 contained in document no. 1415 of 2015, drawn up by ESMA (as incorporated 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;

- the APM are not envisaged by international accounting standards ("IFRS") and, although derived from the Group's financial statements, are not subject to auditing;

- the APM should not be considered as replacements for the indicators envisaged by the accounting standards of reference (IFRS);

- these APM should be interpreted in conjunction with the Group's financial information taken from its financial statements;

- the definitions of the measures used by the Group, insofar as they do not originate from the accounting standards of reference used in the preparation of the financial statements, may not be the same as those adopted by other groups and thus comparable with them;

- the APM used by the Group have been prepared with continuity and uniformity of definition and representation for all periods for which financial information is included in this annual financial report.

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

EBITDA	is equal to the result before taxes, before financial income and charges, depreciation, amortisation and other write-offs, 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, write-offs and capital losses).
EBIT	is equal to EBITDA net of depreciation, amortisation, write-offs and capital losses.
EBT	is equal to EBIT excluding net financial costs and extraordinary income and costs.
Net Invested Capital	is equal to the total of net fixed assets and net working capital.

Net Financial Indebtedness includes:

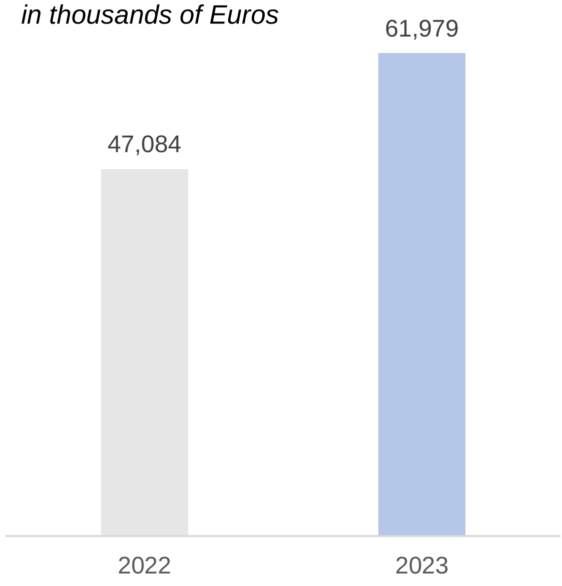
- Liquidity including: cash and bank deposits, other cash at bank and in hand and securities held for trading;

- 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;

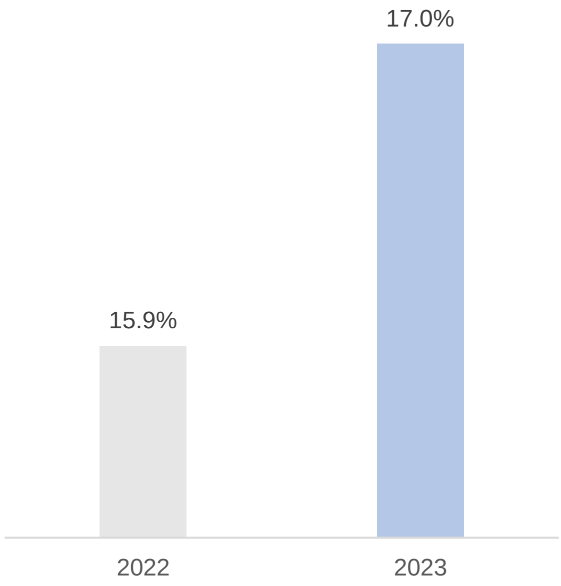
- Net non-current financial indebtedness includes: non-current bank debt, bonds issued, other non-current payables, payables to funding shareholders.

EBITDA

in thousands of Euros

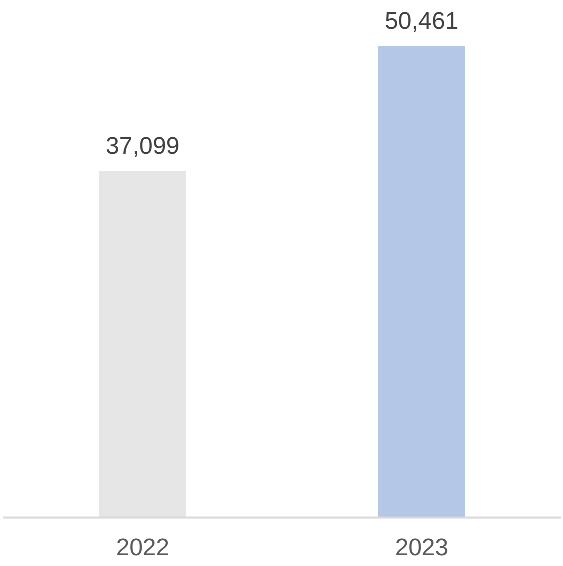


EBITDA Margin



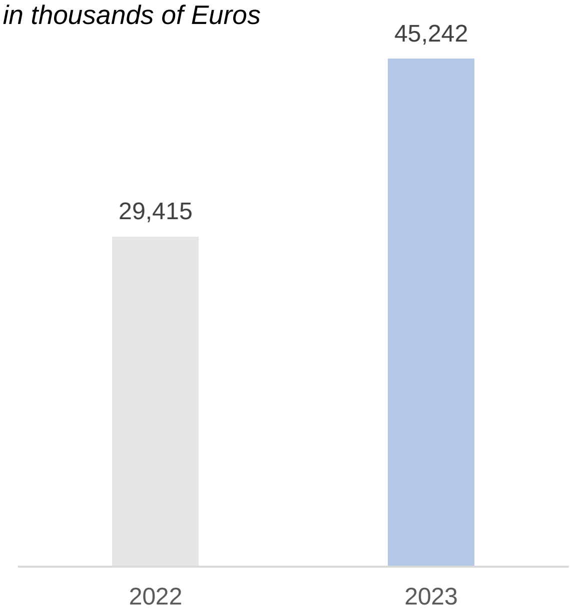
EBIT

in thousands of Euros



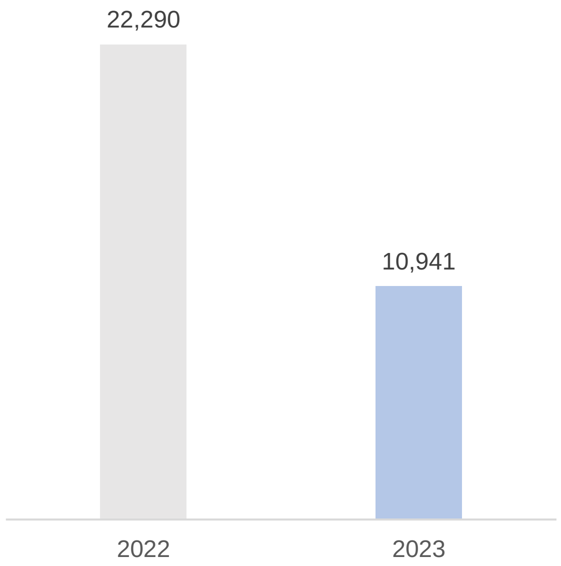
EBT

in thousands of Euros



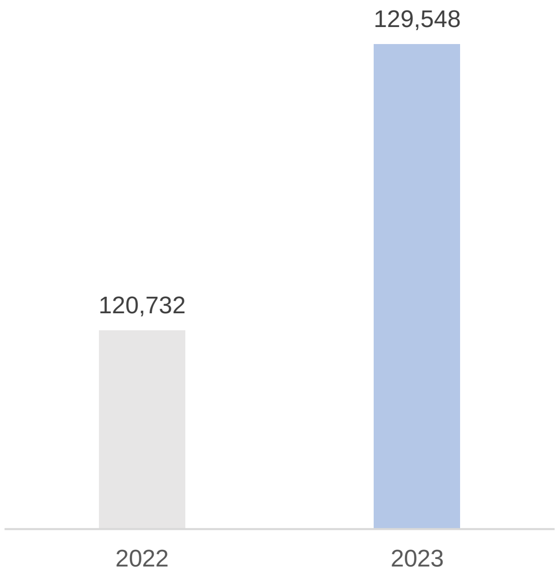
Investments

in thousands of Euros



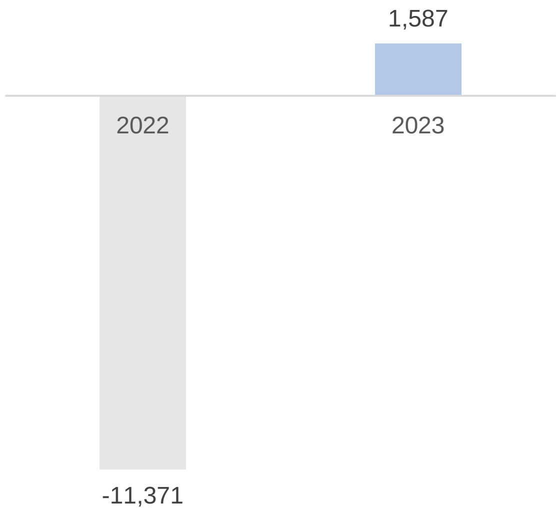
Net Invested Capital

in thousands of Euros



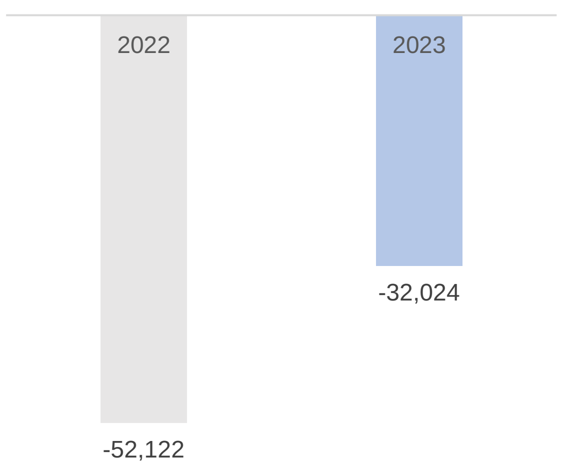
NFP

in thousands of Euros



Net Working Capital

in thousands of Euros



SIGNIFICANT EVENTS IN THE FINANCIAL YEAR

On **23 January 2023**, TISG extended its licence agreement with **Automobili Lamborghini** until the end of 2027.

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

During the event, 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 **Deputy Chair Giuseppe Taranto**, due to an illness that lasted just under a year.

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

Edmiston will take charge of the exclusive sale of the first 47-metre Perini Navi new 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 until 2020 Chair of **Perini Navi USA**.

On **15 March 2023**, TISG presented, one year after the acquisition, the new and innovative Perini Navi fleet consisting of three lines of sailing yachts 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.

On **17 April 2023**, the Group announced the acquisition of 100% of the shares of the woodworking company **Celi S.r.l.** (“Celi”), in line with the internalisation strategy for the high value added phases of the production chain, for approximately Euro 190,000.
The integration of Celi’s cross-sectional skills within the Group will allow TISG to develop further its internal know-how and to have a greater control over the furniture and woodworking activities, not only in terms of costs but also in relation to the quality and timing of the works.

Furthermore, Celi’s prestigious history, combined with TISG’s solid commercial presence, represents an opportunity for the Group to expand its business within the extra sector on a worldwide level, in particular in the luxury real estate and hospitality sectors.

On **27 April 2023**, TISG’s Shareholders’ Meeting appointed the new Board of Directors, composed of 7 members, 3 of whom being independent, and the new Board of Statutory Auditors[4].

Furthermore, the first **Non-Financial Statement** ("NFS") of TISG was presented to the Shareholders' Meeting, with the aim of representing transparently the Group's sustainability roadmap, the results achieved, and the future objectives.

Confirming its effort in developing its ESG strategy, in the first-half of 2023 TISG announced that it had joined the **United Nations Global Compact Initiative**.

The UN Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of Human Rights, Labour, Environment and Anti-Corruption, and to take action to support the achievement of the UN's "Sustainable Development Goals" (SDGs).

In **May 2023**, TISG announced the sale of **three Admiral 70-metre mega yachts, GC-Force** model, to a single "*European Family Group*".

The transaction, in collaboration with yachting broker **IYC**, further confirms the validity of TISG's strategy, focusing its core business on the construction of yachts in the size range from 50 metres to over 100 metres, and provides additional visibility to the order book.

The sales confirm The Italian Sea Group's positioning as leader in the large yachting sector.

As further evidence of The Italian Sea Group's excellent brand awareness and the positive perception of the market, on **20 May 2023**, the motor-yacht **Admiral Kenshō**, 75mt, was awarded the **Motor-Yacht of the Year** award at the prestigious **2023 World Super-Yacht Awards** of **Boat International**.
During that same event, the yacht also won the award in the "**Displacement Motor-Yacht 1,500GT and Above**" category.

These two renowned awards are added to the long list of awards won by the Admiral Kenshō motor yacht during 2023.

In **June 2023**, The Italian Sea Group received from **Cerved Rating Agency** ("**Cerved**") an ESG Rating in the high-performance range, corresponding to solid capability in managing environmental, social, and corporate governance factors.

The analysis carried out by Cerved noted TISG's strong capability in managing risk factors and ESG opportunities, positioned above average for companies of the industry and highlighted a high level of awareness regarding ESG issues.

In particular, the risk management and objective planning were found to be appropriately overseen through a high level of integration of sustainability issues into the corporate governance model.

In the second-half of the year, TISG announced the reopening of its flagship store on the Costa Smeralda, at the centre of the luxury shopping district in Porto

[4] For more information on the composition of the corporate bodies and committees, see the "Corporate and Control Bodies" section of this report.

Cervo, an exceptional Italian showcase, which gave customers and prospects the opportunity to board the iconic *Tecnomar for Lamborghini 63* throughout the summer.

The success of the *Tecnomar for Lamborghini 63* project expanded well beyond the borders of the Italian coasts; from July 2021, the iconic yacht conquered the most prestigious marinas in the world, starting with Saint Tropez and Cannes, through to Miami, and reaching Dubai and Sydney.

Furthermore, the Group announced the progress of the refurbishing and expansion works of the "**Celi 1920**" site, renowned woodworking company in Terni, acquired in April.

These major investments, completed in late 2023, doubled the production capacity of Celi through the acquisition of two new sites.
The goal is both to support the production requirements of TISG as well as to seize the opportunity to expand the woodworking business even in the extra sector of high-end real estate and hospitality.

An important recruitment plan was also approved aimed at the professional training of employees, especially the younger demographic, in line with the objective, constantly promoted by the Group, of stimulating growth in every worker.

In **July 2023**, The Italian Sea Group neutralised the CO_2 emissions for Scope 1 and Scope 2 - market based generated throughout 2022.

The neutralisation occurred through the cancellation of carbon credits generated by the hydroelectric energy project VCS 535 – **Akocak Hydroelectric Power Plant** in Turkey.

Amongst the environmental benefits, the project involves the reduction of 144,681 tonnes of CO_2 emissions and the feed-in of 257,440 GWh of renewable energy each year.

The carbon offset project supported by The Italian Sea Group is part of Verra's Verified Carbon Standard Programme (VCS) and contributes to four **Sustainable Development Goals**: no. 7) – Affordable and clean energy; no. 8) – Decent work and economic growth; no. 13) – Climate action; no. 15) – Life on land.

In developing the project, TISG was supported by the non-profit technical body Climate Network.

In September 2023, The Italian Sea Group made its return to the **Monaco Yacht Show 2023**, the prestigious showcase of the luxury yachting world.

The Group presented no less than **six yachts** during the show, including the three yachts to be delivered during the year: (i) **Admiral Silver Star**, a 55-metre super-yacht with interiors entirely designed by Giorgio Armani with Armani Casa; (ii) **Perini Navi Art Explora**, the first sailing catamaran built under the Perini Navi brand, one of the largest in the world (47 metres long, 17 metres wide); (iii) **Tecnomar This Is It**, a 43-metre motor catamaran with a bold design and futuristic style.

The timeless elegance of the **Picchiotti** line could also be admired, thanks to the first tender built under TISG management.

Guests, mainly brokers, selected Owners and investors, were able to experience an atmosphere of elegance and uniqueness in The Italian Sea Group's lounge, thanks to the staging in cooperation with Armani/Casa.

At the start of the Monaco event, TISG also held an exclusive press conference at which it presented three new product lines: (i) **M/Y Admiral Project Adventure**, a 50-metre super-yacht Explorer; (ii) **M/Y Tecnomar Project Cat 133**, a motor catamaran inspired by the lines of the acclaimed M/Y Tecnomar This Is It; (iii) **M/Y Tecnomar Project Evo 155**, a fast 46-metre motor-yacht, an evolution of the successful Tecnomar Evo 120 model.

In **October**, TISG obtained **ISO:14001** certification for its Environmental Management Systems.

At the end of the year, the Group continued with the last part of the investments on its facilities, re-launching the Perini Navi woodworking hub located in Viareggio, and will continue the works for the opening of a flagship store, with a view to maintaining the strong presence of the TISG in the local area.

The development of the order book in 2023 led TISG to climb the Global Order Book 2024 ranking compiled by Boat International, moving from eighth to fifth place globally in the overall classification and third for builders of yachts of over 50 metres, with a total length of the designs of 1,374 metres.

SIGNIFICANT EVENTS OCCURRING AFTER YEAR-END

Since the beginning of 2024, the Group has announced new projects, updated the market on the progress of existing contracts and explained its strategy to the financial community.

In late January, The Italian Sea Group unveiled the **Quaranta** project, a 40-metre semi-custom line under the Admiral brand, ideal for a charter clientele.

On **7 February**, TISG met investors and the financial community at its second **Capital Markets Day**, held at the Armani/Silos in Milan.

During the meeting, which was attended by more than 100 people in person and remotely, the Group's development projects were illustrated, along with the preliminary results at 31 December 2023 and the 2024-2025 Strategic Outlook.

At the start of the year, The Italian Sea Group also announced the deliveries in the pipeline for 2024.

Over the coming months, TISG will deliver **six new mega-yachts**, all over 50 metres in size and, in particular:

- **Two** 78-metre full-custom **Admiral mega-yachts**, designed by two of the industry's leading architects: Sinot Yacht Architecture & Design and Lobanov Design;
- A 72-metre full-custom **Admiral by Giorgio Armani mega-yacht**, the interiors and exteriors of which were designed by Giorgio Armani;
- A 66-metre full-custom **Admiral mega-yacht** with interior design by the architect Mark Berryman;
- A 55-metre **Admiral super-yacht**, S-Force model, designed entirely by the TISG Style Centre;
- A 60-metre **Perini Navi ketch** developed in collaboration with Ron Holland for the naval architecture and architect Rémi Tessier, who designed the interiors.

The launch of the first 24-metre Picchiotti Gentleman is also planned for 2024, to be delivered in early 2025.

In 2024, the Group continued to expand its sales strategy, formalising a partnership with prestigious yacht broker **BenheMar Yacht Consultancy**, a Dubai-based company which will support TISG’s brands in the Middle-East and North Africa (MENA), an area with great growth potential for the demand of big yachts.

On **14 March 2024**, The Italian Sea Group opened its commercial flagship and new woodworking hub in Viareggio, confirming the tight historical relationship with the local community.

On **25 March 2024**, TISG announced the sale of the third model of its **Admiral 50 metres** line, establishing the success of its semi-custom production strategy, always with a high-level positioning.

On **27 March**, The Italian Sea Group announced the completion of the Accelerated Bookbuilding (“**ABB**”) procedure by **GC Holding S.p.A.** for the disposal of 4,602,000 shares (around 8.7% of the share capital).

The transaction allowed TISG to increase its free float in order to reach the necessary requirements to enter the STAR segment of Euronext Milan, in line with its growth strategy to expand its visibility towards a larger range of high-profile investors in Italy and abroad, increasing the stock’s liquidity.

BUSINESS OUTLOOK

Over the past few years, The Italian Sea Group has observed an extremely positive trend in luxury yachting, with an increase in demand and a focus on mega and giga yachts over 50 metres due in part to an increase in the global number of Ultra-High Net Worth Individuals, a resilient customer base that is little impacted by macroeconomic shocks.

To address this 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 Refitting.

Constant investments in developing a rigid 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 Capital Markets Day, the Group informed the market of its strategic pillars, which remain unchanged over time.

MARKET POSITIONING: MEGA AND GIGA YACHTS

The Italian Sea Group bases 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-size segment, in which demand has drastically increased from 2002 to date.

TISG’s positioning in this market segment is demonstrated by the quality and visibility of the order book, 90% of which is made up of yachts of over 50 meters with deliveries scheduled until 2027.

The Italian Sea Group's clientele is extremely global, also thanks to the strategic partnerships that the Group has entered into over the years with the main brokers in the nautical sector, present in different parts of the world, from Europe to Hong Kong to the Americas and the Middle East.

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 meeting the technical and aesthetic requirements of Owners.

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 internalisation of the phases of the production chain with the highest added value: **woodworking**, **steelwork**, **upholstery** and **outfitting carpentry** are all internalised activities that allow the

Group to ensure the timing, quality and cost of the works.

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

TISG also collaborates with international architects in the sector, including Winch Design, Sinot Yacht Architecture & Design, 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.

In 2023, **Admiral Kenshō** was awarded "**Motor-Yacht of the Year**" at the **World Superyacht Awards**, one of the most prestigious awards in the nautical world.

SHIPBULDING 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 were completed in the first half of 2023, and with the addition of the La Spezia shipyard 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 and La Spezia shipyards and the purchase of 100% of the energy used from renewable sources.

There is also a continued commitment to offering cutting-edge solutions in terms of products, through the installation of photovoltaic panels, battery packs, particulate filters and alternative propulsion, at the customer's request.

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 best local universities for Naval Engineering and Yacht Design.

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.

STRATEGIC OUTLOOK 2024 – 2025

The **2024-2025 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 consist of Revenues between EUR 400 - 420 million with an EBITDA Margin between 17 - 17.5% in 2024 and Revenues between EUR 430 - 450 million with an EBITDA Margin between 18 - 18.5% in 2025.

With reference to the capital structure and the dividend policy, the Group's objective 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 Net Profit. These policies are subject to temporary impacts linked to the CapEx and M&A strategy.

RELATIONS WITH RELATED PARTIES

Revenues, expenses, receivables, and payables as at 31 December 2023 from and to 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, always considering efficiency and quality criteria that are in line with the Group's interests and standards.

TISG Turkey YTAS: TISG commissioned to TISG Turkey the construction of steel and aluminium hulls related to yachts under construction, from a perspective of convenience and cost optimisation without compromising quality, always under the strict supervision of an on-site team of Italian and Turkish employees. Through TISG Turkey, The Italian Sea Group has the possibility to increase the number of projects for the hull, superstructure, and pre-outfitting activities, according to its needs.

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 outfitting 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.

CELI S.r.l.: CELI is among TISG's main strategic suppliers, as it creates the majority of the interior and exterior furniture for the yachts that the Group builds, as well as the making of the furniture of TISG's operational facilities, answering to the production need of the Group from an efficiency perspective. The internalisation of Celi's woodworking activities, in line with TISG's development strategy, will allow the Group to have an increased control on timing, quality, and costs of the furniture works, being able to satisfy up to 70% of its neds. Furthermore, through Celi, TISG has the opportunity to expand its business in the high-end luxury real estate and hospitality sectors, whenever requested by the clients.

Santa Barbara: TISG and SANTA BARBARA signed an agreement on 08 February 2022 concerning the use by TISG of a building to carry out commercial activities with potential or current customers for TISG itself, offering them accommodation, entertainment service, event planning, and social dinners.

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 2023, the Group had a Net Financial Position of **Euro 1,587,000**.

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 abovementioned 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.

TISG is also exposed to the **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 facility agreements signed in 2022 and in particular:

- Facility 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;

- Facility 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 financial year 2023, calculated according to the methods described below, are shown below:

1) Financial covenant for Unicredit and Deutsche Bank pool financing

In thousands of Euro	31/12/2023	31/12/2022
Net assets	131,136	109,001
Corporate capital	0	0
Reserves and results carried forward	0	0
Subordinated Shareholders' Loan	0	0
Dividends declared	-14,416	-9,800
OWN FINANCING	**116,720**	**99,201**
Short-term financial liabilities	11,663	14,197
Long-term financial liabilities	54,591	66,287
Liabilities for non-current derivative instruments	0	0
Liabilities for current derivative instruments	0	0
Other financial assets not included in the above items	8,571	12,204
Co-obligation payables	0	0
Liquidity	-76,413	-81,317
NFP	**-1,587**	**11,371**
EBIT	50,769	33,232
DA	12,018	10,339
Contingencies	-	-
EBITDA	**62,787**	**43,571**

TABLE OF CONTENTS	Contractual Reference Value 2022	Covenants 2023	Covenants 2022
NFP/EBITDA	< 2.00	-0.03	0.26
NFP/MP	< 0.50	-0.01	0.11

2) MPS Capital Services Financial Covenant:

In thousands of Euros	31/12/2023	31/12/2022
Short-term financial liabilities	11,663	14,197
Long-term financial liabilities	54,591	66,287
Liabilities for non-current derivative instruments	0	0
Liabilities for current derivative instruments	0	0
Other financial assets not included in the above items	8,571	12,204
Liquidity	-76,413	-81,317
NFP	**-1,587**	**11,371**
EBIT	50,769	33,232
DA	12,018	10,339
Contingencies	-	-
EBITDA	**62,787**	**43,571**

TABLE OF CONTENTS	Contractual Reference Value 2022	Covenants 2023	Covenants 2022
NFP/EBITDA	< 2.00	-0.03	0.26

With regard to the remaining positions, the Group is exposed to a moderate credit and liquidity risk arising from the overdrafts obtained from banks.

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 is unable to: (i) implement an adequate project management activity, with sufficient or effective procedures and actions to control the correct completion and efficiency of its construction processes; (ii) adequately manage any complexities arising from the product diversification activities implemented by the directors; (iii) efficiently distribute workloads according to production capacity (plants and workforce), there could be a contraction in revenues and profitability with possible negative effects on the economic, equity and financial situation.

Mitigating actions

The Group has implemented procedures and activity plans to monitor the progress of each individual project throughout its duration. The Group has a flexible and dynamic production structure so that it can respond efficiently to any fluctuations in demand, guaranteeing delivery times in line with contractual agreements with customers.

RISKS ASSOCIATED WITH MANAGING RELATIONS WITH SUPPLIERS IN PRODUCTION OUTSOURCING

Description of the risk

The Group uses contractors, external collaborators (e.g. designers) and suppliers, *inter alia*, to purchase materials, components and semi-finished products and to carry out carpentry, plant engineering, painting, outfitting, art direction and design work. Any non-compliance by contractors, collaborators and suppliers could compromise the correct and timely performance of the Group's activities, with negative effects on productivity, results and its economic situation. TISG is also exposed to the risk that possible defects and/or malfunctions in products and processes and/or delays might result in reductions in revenues and/or compensation obligations and/or reputational damage.

In addition, the Group is exposed to the risk of employees of external contractors, suppliers or collaborators making claims against the Group for recognition of existence of employment relationships, as well as claims for payment under solidarity obligations or claiming violations of legislation in force, with possible negative effects on the Group's economic, financial and asset situation.

Impact

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

Mitigating actions

The Group's management is particularly careful in overseeing coordination of internal and external workers through dedicated structures and procedures. In addition, TISG selects its "strategic suppliers" carefully, and they must maintain high performance standards.

RISKS RELATED TO MARKET CONFORMATION

Description of the risk

The Group is exposed to risks related to the global economic and financial situation and the economic trend of the specific geographic markets in which its products are sold, which are intended for clientele with considerable capital availability. Significant economic events affecting the world economy or the economy of the countries in which TISG's customers reside, such as financial and economic crises, may entail the risk that customers might reduce their propensity to purchase or refrain from finalising the purchase of a yacht that has already been ordered; in this case, the Group would be forced to look for a new purchaser, possibly retaining the amounts paid by the customer as an advance in accordance with the contracts signed.

This circumstance could result in negative effects for the economic, asset and financial situation.

The unstable geo-political, macroeconomic and financial environment both at European and global levels could affect TISG's production capacity and growth prospects. Specifically, a prolonged recession in any one of these regions or worldwide, or a public perception that economic conditions are worsening, could significantly decrease product demand.

Growth in UHNWIs (the Group's core customers) is driven by Asia and America. Expansion in these markets, together with a low level of penetration of this customer base, represent an opportunity for the Group; however, political and/or economic crises in these regions could pose risks to the business.

In the event that, also as a result of changes in market practice and the contingent economic situation, the Group were not able to continue its policy of collecting advance payments before the delivery of the yachts, due to the time and costs required for their construction, this could have an adverse effect on TISG's business, prospects and economic, asset and financial situation.

Mitigating actions

To mitigate this risk, the Group has paid special attention to production quality, as well as to complying with yacht construction schedules, together with optimal joint planning of the customer's needs.

The Group's current strategy includes product and business diversification and a global presence on all continents. This allows TISG to identify and meet the different customer needs all over the world. TISG implements a commercial strategy aimed at the continuous exchange of information between customers and internal managers in order to address and resolve at all times any difficulties that may arise as a result of events that are not related to the intrinsic business performance.

RISKS RELATED TO ORDER MANAGEMENT

Description of the risk

TISG enters into contracts with Owners that provide for a fixed fee (subject to further requests from the client received during construction) that must take into account all costs associated with the construction of the yacht, as well as penalties provided in order contracts in case of late delivery and failure to achieve certain yacht performance (speed, noise levels, vibration levels). Significant cost increases could lead to a reduction in the margin.

This risk, which is considered to have a high probability of occurrence in the industry, could have an adverse effect on TISG's economic, asset and financial situation.

The contracts for the construction of luxury yachts managed by the Group are multi-year contracts with an established fee and a delivery date set from the outset; any changes in the sales price related to the customer's needs and tastes must be agreed with the shipowner and any changes in the design originate from this. When the contract is signed, the pricing must take into account the costs of raw materials, machinery, components, tenders and all costs associated with the construction.

Impact

Increases in costs that were not foreseen in the pre-contractual phase and which are not matched by a corresponding price increase can lead to a significant reduction in margins on the relevant orders.

To reduce the probability of this risk, the Group uses a **Project Manager**. Project Managers, who have several years of experience in the shipbuilding sector, are responsible for preparing job budgets, managing the supply chain, monitoring delivery times and the general quality of projects.

Mitigating actions

This activity is carried out by the project managers in cooperation with the planning and control department, which is under the direct responsibility of the **TISG General Manager**. The final figures are monitored against the job budget on a monthly basis in comparison meetings between the planning and control department, commercial management and the Chief Executive Officer of TISG.

The extensive experience gained from yachts delivered in recent years, the implementations resulting from investments in the management control system and the constant exchange of information between the various company departments enable **Project Managers** to predict any expected increases in the cost components of orders and in the offer price determination process.

It is common that after the signing of contracts, *addenda* may be agreed upon with the customer to handle additional demands and recover any margin percentages (“**Variations to Contract**” or “**VTC**”).

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

Description of the risk

The Group provides its customers a contractual warranty against defects in the workmanship of each ship, usually for a period of 24 months after delivery, with possible negative effects on the economic, financial and asset situation as regards warranty costs exceeding the amount allocated under the warranty provisions in the financial statements, as well as on the Group's image in the reference market.

Impact

During the warranty period, the Group is obliged to carry out repair and/or replacement work for any defects or flaws found after delivery (although it can in turn then attribute the responsibility for these to its own contractors or third-party suppliers, who also have warranty obligations to the shipyard and from whose remuneration/contract or supply price 5% to 10% of each interim payment certificate is withheld - during the course of the contract - precisely as a warranty withholding).

During the quotation phase, TISG calculates the possible cost of warranty repairs on the basis of historical work statistics and considers them as costs for the order.

Nevertheless, The Italian Sea Group could incur warranty costs in excess of those allocated. That said, it cannot be excluded that possible manufacturing defects and non-conformities with certain technical performance specifications or work performed could therefore cause revenue losses and/or reputational damage and lead to higher costs for TISG also by virtue of warranties on such products and technical performance specifications, with significant negative consequences on the economic, asset and financial situation with regard to warranty costs exceeding the amount allocated under the warranty provisions in the financial statements, as well as on the Group's image.

Mitigating actions

The Italian Sea Group has a sophisticated and innovative system to control the entire yacht production phase.

The Quality Department, or **Production Quality Control (PQC)**, carries out production control at all stages of the order, and is completely independent of other departments.

The activities are carried out by a complete team in terms of skills and experience: there are 8 inspectors and 4 external collaborators on board full-time to implement experience in carpentry, outfitting, safety, filling in records and test memoranda, handling red notes and remarks on deliveries and drawing approval.

When on-board inspections give negative results, the Quality Control Department issues reports on the defects (“*remarks*”) found, based on:

- standards and shipyard mock-ups;

- the Classification, Flag and International Shipping Regulations;
- technical and shipowner specifications and the Technical Department’s drawings.

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 records, reports the commissioning and sea trials carried out before and during the delivery of the order.

These procedures, which are described in detail, are the result of painstaking work and significant investment, aimed at mitigating any adverse events that may arise after the yacht's delivery and generate costs in addition to 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
Changes in safety or environmental standards, or the occurrence of unforeseeable or exceptional circumstances, could oblige the Group to incur extraordinary environmental or workplace safety expenses.

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

RISKS RELATED TO LITIGATION AND TAX ASSESSMENTS

Description of the risk

The Group is exposed to the risk of becoming involved in court or arbitration proceedings as a defendant potentially giving rise to compensation and payment obligations. In addition, TISG is exposed to the risk that the outcome of the currently pending litigation of significant value will be unfavourable. This circumstance could result in negative effects for the Group's economic, asset and financial situation.

Impact

The Group believes it is possible that the outcome of the proceedings pending at the closing date of the financial statements for the year ended 31 December 2023 may be unfavourable to the Group, with all or part of the claims made by the counterparties being upheld.

Notwithstanding the above assessments, it cannot be ruled out that currently remote risks may become possible or probable and lead to adjustments in the value of the risk provisions, or that in the event losing in litigation for which the relevant risk provisions were deemed adequate, TISG might suffer adverse effects on its economic, asset and/or financial situation.

It should be noted that most of the existing contracts to which the Group is a party contain arbitration clauses with the seat of arbitration in London, which may increase costs in the event of litigation.
Among pending disputes with the Group as defendant with the most significant economic value are the following:

ARBITRATION AWARD IN ENGLAND AGAINST GFM SA - FRANCK MULLER GROUP AND FMTM LIMITED FOR A PARTNERSHIP AGREEMENT THAT TISG HOLDS HAS NOT BEEN COMPLIED WITH

The arbitration proceedings in England, initiated by TISG a few years ago for substantial damages, were won with an award that has now become final (for a total amount of around EUR 1.6 million).

In the meantime, TISG obtained a final conservative attachment for Euro 660,000 in Italy, at the Court of Massa, and had it recognised (exequatur) and thus successfully and fully executed in Switzerland against GFM.

GFM objected but was unsuccessful in Switzerland at all levels of the proceedings (with order to pay legal fees, partly collected).

Based upon the awards won in England, TISG took action for the declaration of bankruptcy of GFM, which was indeed declared; GFM, however, paid the due amount to the Bankruptcy Registry to have the declaration of bankruptcy revoked (a possibility in Switzerland), and recently TISG was able to collect approximately Euro 230,000 of the first English award won on jurisdiction.

In addition, TISG acted and obtained a further attachment against GFM for approximately Euro 1.3 million, which was enforced sufficiently; the procedure for recognition and enforceability in Switzerland of the English main award has also already been initiated. GFM appealed, losing the first instance, while the appeal state is ongoing.

TISG/CARBONOVUS

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

For its part, TISG claims considerable damages and penalties for delay amounting to Euro 19,678,514, arguing that there is nothing to be paid to the former contractor.

TISG filed an application for judicial liquidation against Carbonovus: the proceedings went ahead with the order of a court expert report by the judge and recently the preliminary report was filed which ascertained and declared Carbonovus' state of crisis and insolvency (the next pre-liquidation hearing will be held on 21 March 2024):

Carbonovus brought contractual arbitration against TISG, and for its part TISG took action in that arbitration by way of counterclaim to request an order for Carbonovus to pay penalties and damages: this proceeding has already had its two (positive) oral evidence hearings and is heading towards a decision, around the beginning of 2025.

Carbonovus also applied for a judicial attachment against TISG on certain former Perini artefacts: TISG defended itself against this claim and won this instance, with an order for Carbonovus to pay legal costs (paid by Carbonovus).

Carbonovus then appealed this *interim* decision; the appeal decision has been reserved and the company, given the high risk of being declared bankrupt, is initiating contacts with TISG to reach a settlement.

OTHER DISPUTES

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

There is a tax dispute concerning notices of assessment no. T9B03BR00854 and T9B03BR00875, relating to the years 2010 and 2011, served on the Group (formerly Nuovi Cantieri Apuania S.p.A.) in its capacity as company incorporating TYG S.p.A, by the Italian Tax Authority - Provincial Directorate I of Milan, disputing the use of non-existent invoices by Tecnomar S.p.A. (subsequently named TYG S.p.A.). The tax and penalty claims in question amount to a total of Euro 1,714,000, plus interest.

TISG challenged the aforesaid notices before the Provincial Tax Commission of Milan, which annulled them with judgment no. 3944/2018. The Italian Tax Authority appealed against this judgment before the Regional Tax Commission of Lombardy, which confirmed the first instance ruling with judgment no. 652/2020 filed on 27 February 2020.

The unsuccessful Italian Tax Authority appealed to the Italian Supreme Court against the aforementioned judgment no. 652/2020; TISG entered an appearance to oppose the appeal.

During 2023, the Group availed itself of the possibility of facilitated settlement of pending tax disputes provided under Article 1, paragraphs 186 to 202 of Law No. 197/2022, paying an instalment amount of Euro 43,743 for the 2010 tax year and of EUR 1,169 for the 2011 tax year, thus putting an end to the tax disputes pending before the Italian Supreme Court.

Mitigating actions
All ongoing disputes are constantly monitored by the Group's lawyers, and assessments of any economic and financial impact on the financial statements are carried out meticulously in order to provide a true and fair estimate of the potential loss.

CLIMATE RISKS

Description of the risk
The Group is aware of the potential direct and indirect impacts which it could create with its activities when it come to sustainability, and it has therefore put in place a series of internal measures which allow to consider such risks strategically and pre-emptively. For this purpose, it has evaluated and integrated within its risk management model also those risks related to Environmental, Social, and Governance (“ESG”) issues.

In this regard, there is an increased relevance of risks stemming from climate change, which are divided as follows:

PHYSICAL RISK
Indicates the financial impact stemming from material damages that Companies may suffer as a consequence of climate change, and is further divided in:

- **acute physical risk**, if caused by extreme weather events such as draughts, floods, and storms;
- **chronic physical risk**, if caused by gradual changes in climate such as increased temperatures, rising sea levels, water stress, loss of biodiversity, land use change, habitat destruction, and scarcity of resources.

TRANSITION RISK
Indicates financial losses which could occur, directly or indirectly, following the adjustment process towards a low-GHG emission economy to facilitate economic transition towards less damaging activities for the climate. Transition risk is divided in:

- **regulatory risk**, stemming from the introduction of new and sudden environmental laws;
- **technological risk**, stemming from the adoption of technological innovation with lower environmental impact;
- **market risk**, stemming from the change in consumer preferences and, in turn, of adjustment to the increasing demand for products with a lower carbon intensity.

Impact
With reference to **physical risk**, both of the acute and chronic kind, the Group exposed to direct risks on its headquarters and operations.

In particular, the following direct physical risks are deemed particularly relevant:

- risks of suffering damages to facilities and infrastructures, or a decrease in productivity as a consequence of climate change or events;
- regulatory risk stemming from environmental damages.

Therefore, the Group constantly works to implement efficient system for the monitoring and supervision of these risks, with the implementation of insurance policies on its shipyards and facilities.

Regarding **transition risk**, the Group could be exposed to the following direct risks:

- Compliance risks for the non-conformity to environmental regulations;
- Market and reputational risks stemming from the lack of alignment to stakeholder expectations regarding environment protection and limitation of negative impacts;
- Regulatory and market risk stemming from the need to adjust to regulations and to the requests of clients, who are increasingly careful to ESG characteristics of products;
- Risks linked to the increase in operative and transition costs for more sustainable technologies;
- Risks linked to increase in costs for non-renewable energy.

As a result, potential negative impacts for the Group could be:

- Fines or sanctions stemming from a lack of adjustment to regulations;
- Loss of competitive advantage, with a consequent loss of market share;
- Reputational damages and loss of credibility versus clients.

Mitigating actions
In order to mitigate these risks, the Group works with its partners and suppliers to offer sustainable solutions for its product, and implements activities aimed at fighting climate change and towards decarbonisation. Regarding physical risk, the Group implemented insurance policies on its facilities and carried out investments for the increased efficiency of its shipyard even in terms of energy costs, through the use of photovoltaic plants and the purchase of green energy.

Furthermore, TISG continues to monitor current regulation and market trends in this sense, in order to offer a product which is in line with new environmental standards.

Please note that at 31 December 2023, considering the Group's specific operational characteristics and the nature of the aforementioned climate risks, there have been no relevant impacts (pursuant to IAS 1 accounting principle) reported in this Annual Report.

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 Audit, Risk and Sustainability Committee, which also performs the role of Related Party Transactions Committee, have been set up within the Board.

The internal control and risk management system requires the Board, after obtaining the opinion of the Audit, Risk and Sustainability Committee, to define the guidelines for the internal control and risk management system, seen as the 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 transactions, the reliability of financial information, compliance with laws and regulations, the articles of association, and internal procedures, as well as the safeguarding of company assets.

The Board of Directors, having heard the opinion of the Audit, Risk and Sustainability Committee, has appointed the head of the Internal Audit department, responsible for verifying that the internal control and risk management system is functional and adequate, ensuring that the same is provided with adequate means to perform its functions, including in terms of the operational structure and internal organisational procedures for access to the information required for the role.

The Group annually draws up the Report on corporate governance and ownership structures 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 “Corporate Governance” section.

PERSONAL DATA PROCESSING - ITALIAN LEGISLATIVE DECREE NO. 196 OF 30 JUNE 2003 - REGULATION EU NO. 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 Regulation EU 679/2016 on the protection of natural persons with regard to the processing of personal data (GDPR), the Parent Company has completed the necessary adjustment process in order to align with the regulatory requirements.

The Parent Company is responsible by law, in its capacity as "Data Controller", for all personal data processing activities carried out thereby and, in view of this, it adopts appropriate security measures in relation to the risks for rights and freedoms of natural persons. 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 of 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 has not appointed 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 ACTIVITY

In compliance with Article 2497-*bis*, paragraph 5, it is noted that the Parent Company is not subject to management and coordination by companies or entities.

ARTICLE 2428 OF THE ITALIAN CIVIL CODE

The information required by Art. 2428, paragraphs 1, 2, 3 and 6 is provided in the Report on Operations. The information on the financial instruments, objectives, and policies of the Group on financial risk management can be found in section F of the Notes to the Group financial statements and in section E of the financial statements of the Parent Company. The Parent Company's secondary offices are indicated in section A of the Parent Company's financial statements.

Per il consiglio di Amministrazione

Amministratore Delegato

Giovanni Costantino


BLUE MARLIN

DRAFT GROUP FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Euro	notes	31/12/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Trademarks	1	34,650	34,685
Other intangible assets	2	975	1,030
Land and buildings	3	57,290	38,354
Plant, machinery, equipment, and investments in progress	4	35,459	49,182
Other tangible assets	5	1,261	1,603
Right of Use	6	32,523	46,077
Shareholdings	7	43	195
Other non-current assets	8	1,716	6,576
Deferred tax assets	17	3,035	-
Total non-current assets		**166,952**	**177,702**
CURRENT ASSETS			
Cash at bank and in hand	9	76,413	81,317
Trade receivables	10	24,007	21,469
Other receivables	11	4,937	5,956
Assets from contract work in progress	12	89,068	49,468
Stock inventories	13	10,897	3,573
Other current assets	14	5,115	2,778
Total current assets		**210,437**	**164,560**
TOTAL ASSETS		**377,389**	**342,262**
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Corporate capital		26,500	26,500
Share premium reserve		45,399	45,431
Reserves and other retained earnings		22,409	13,023
Currency translation reserve		- 83	
Profit (Loss) for the financial year		36,911	24,046
Total Shareholders' Equity	**15**	**131,136**	**109,001**
NON-CURRENT LIABILITIES			
Provisions for risks and charges	16	4,335	3,431
Deferred tax liabilities	17	-	894
Provision for employee benefits	18	959	1,251
Long-term financial liabilities	19	62,051	76,198
Other non-current liabilities	20	86	50
Total non-current liabilities		**67,431**	**81,824**
CURRENT LIABILITIES			
Trade payables	21	90,568	78,770
Other payables	22	24,171	13,796
Short-term financial liabilities	23	12,484	15,193
Liabilities from contract work in progress	12	38,561	16,800
Other current liabilities	24	13,038	26,878
Total current liabilities		**178,822**	**151,438**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**377,389**	**342,262**

CONSOLIDATED INCOME STATEMENT – BY NATURE

In thousands of Euros	notes	31/12/2023	31/12/2022
Operating revenues		360,258	291,510
Other proceeds and income		11,507	7,710
Commissions		(4,166)	(4,093)
Total Revenues	**25**	**367,599**	**295,128**
Raw materials, components, and consumables	26	(79,342)	(68,133)
Cost for outsourced work	27	(147,906)	(117,942)
Technical services and consultancy	28	(17,624)	(16,807)
Other costs for services	29	(13,951)	(12,738)
Staff costs	30	(38,649)	(29,562)
Other operating costs	31	(7,339)	(6,375)
Total operating costs		**(304,812)**	**(251,557)**
Operating result before amortisation, depreciation, and write-downs		**62,787**	**43,571**
Depreciation, amortisation and other write-downs	32	(12,018)	(10,339)
Operating result		**50,769**	**33,232**
Financial income	33	918	447
Financial charges	33	(6,445)	(4,264)
Financial year profit (loss) before income taxes		**45,242**	**29,415**
Income taxes	34	(8,331)	(5,368)
Profit (loss) for the financial year		**36,911**	**24,046**

Profit per ordinary share		**0.70**	**0.45**
Diluted profit per ordinary share		**0.70**	**0.45**

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT – BY NATURE

Financial year profit/(loss)		**36,911**	**24,046**
Profits/(losses) on re-measurement of defined benefit employee plan liabilities	35	(19)	(48)
Change in fair value of hedging derivatives	35	(815)	1,825
TOTAL COMPREHENSIVE FINANCIAL YEAR PROFIT/(LOSS) (A) + (B)		**36,077**	**25,823**

CONSOLIDATED CASH FLOW STATEMENT

In thousands of Euros	31/12/2023	31/12/2022
INCOME MANAGEMENT ACTIVITIES		
Result before tax for the financial year	45,242	29,415
Net interest income	5,528	3,781
Provision for charges and risks	1,326	1,053
Provision for severance indemnity	1,377	1,377
Adjustments for:		
Amortisation, depreciation, and write-downs	11,519	9,889
Capital gains/(losses)		
Other provisions and write-downs (revaluations)	500	300
Changes in assets and liabilities:		
Receivables from customers	(1,363)	(11,533)
Inventories and contract work in progress	(25,163)	(7,731)
Other management activities	(5,122)	7,221
Payables to suppliers	11,798	21,897
Other operating payables	(3,431)	19,706
Severance pay	(1,669)	(886)
Provisions for risks and charges	(1.316)	(972)
Taxes paid	(8,331)	(5,368)
Interest paid	(5,528)	(3,781)
Cash flow from income management activities	**25,367**	**64,368**
INVESTING ACTIVITIES		
Purchase of tangible assets	(2,257)	(19,353)
Disposal of tangible assets	0	0
Purchase of intangible assets	(489)	(483)
Acquisition of equity investments	0	(152)
Receivable from CELI	2,128	
Disbursement for the purchase of the Perini Navi business complex	0	(80,000)
Others	1,620	(3,804)
Cash flow from investing activities	**1,002**	**(103,792)**
FINANCING ACTIVITIES		
Change in reserves	0	200
Payment of Dividends	(14,415)	(9,716)
Raising M/L term loans		72,500
Repayment of M/L term loans	(14,198)	(23,484)
Raising shareholders' loans		(3,161)
Repayment of loans to others	(2,660)	(1,212)
Cash flow from financing activities	**(31,273)**	**35,127**
TOTAL CASH FLOWS FOR THE PERIOD	(4,904)	(4,297)
CASH AT BANK AND IN HAND AT THE BEGINNING OF THE YEAR	81,317	85,615
CASH AT BANK AND IN HAND AT THE END OF THE YEAR	76,413	81,317

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Data in thousands of Euros	Values as at	Allocation of income	Financial year result	Other changes	Total result	Values as at
	31/12/21	31/12/21	31/12/2022	31/12/2022	31/12/2022	31/12/2022
SHARE CAPITAL	26,500					26,500
SHARE PREMIUM RESERVE	45,431					45,431
OTHER RESERVES AND RETAINED EARNINGS	4,635			8,388		13,023
PROFITS (LOSSES) FOR THE PERIOD	16,322	(16,322)	24,046			24,046
TOTAL SE	**92,888**	**(16,322)**	**24,046**	**8,388**	**0**	**109,001**

Data in thousands of Euros	Values as at	Allocation of income	Financial year result	Other changes	Total result	Values as at
	31/12/22	31/12/22	31/12/23	31/12/23	31/12/23	31/12/23
SHARE CAPITAL	26,500					26,500
SHARE PREMIUM RESERVE	45,431			(32)		45,399
OTHER RESERVES AND RETAINED EARNINGS	13,023			9,386		22,409
CURRENCY TRANSLATION RESERVE	-			(83)		(83)
PROFITS (LOSSES) FOR THE PERIOD	24,046	(24,046)	36,911			36,911
TOTAL SE	**109,001**	**(24,046)**	**36,911**	**9,271**	**0**	**131,136**

NOTES TO FINANCIAL STATEMENTS

CONTENT AND FORM OF THE GROUP FINANCIAL STATEMENTS

These notes to the financial statements were prepared on the basis of the accounting records updated at 31 December 2023. 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” criterion;

- the **Consolidated 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 Income statement, other changes in equity movements other than those with shareholders;

- the **Consolidated statement of cash flows** 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 Euros.

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.

Furthermore, reference is made to interpretative and supporting documents for the application of the accounting principles issued by international regulatory bodies and Italian supervisory bodies, as well as the standard setters which were also taken into account in the drafting of this Report, wherever applicable, highlighting:

- The Public Statement of 25 October 2025 by ESMA “*European common enforcement priorities for 2023 annual financial reports”* which reiterates, additionally, some recommendation already present in the preceding Public Statement published in October 2022; more specifically, in the drawing up of reports and the given information, particular care is requested to:

- Climate issues and the consistency between the information contained in the reports and the non-financial statements, to the recording of emission allowances (ETS) and certificates linked to renewable energy and the process of impairment test in a climate context;
- The impact of the current macroeconomic context on the re-financing risks and other financial risks, as well as the process of fair value determination and the related disclosure;
- Alternate performance measures.

- Discussion paper n. 1/2022 "*Impairment test of non-financial assets (IAS 36) following the war in Ukraine"* published on 29 June 2024 by the Organismo Italiano di Valutazione ("OIV") which recalls the content of the Public Statement of 13 May 2022 by ESMA (subject of the Consob Warning of 19 May 2022) and provides operational guidelines to manage the uncertainty of the current context regarding the exercise of any impairment test.

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 Chief Executive Officer for business management purposes.

Both Divisions operate:

(i) within the headquarters located in the Port of Marina di Carrara, where the Group has about 120,000 square metres of operational space, in addition to the main corporate functions;

(ii) at the La Spezia shipyard, which has around 32,000 square metres of operational space. TISG also transferred the entire production of the *Tecnomar for Lamborghini 63* project to this shipyard.

ABILITY TO CONTINUE AS A GOING CONCERN

The Group financial statements as at 31 December 2023 were prepared with a view to the continuation of the Group’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 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;

2) financial risks (trend in interest rates and/or exchange rates, inflation, changes in creditworthiness by rating agencies);

3) 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”;

4) 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 Group’s 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 EVALUATION CRITERIA

The financial statements at 31 December 2023 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 Euros, except in the cases indicated individually and otherwise, and is carried out with the corresponding values at 31 December 2022.

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 2022.

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 2023

Pursuant to IAS 8 (Accounting Standards, changes in accounting estimates and errors), the IFRS in force as from 1 January 2023 are indicated and briefly described below:

Title of the document issued by the IASB	Date of publication of the IASB document	Date of entry into force	Number and date of EU type-approval regulation	Date of publication in the OJEU
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	23 May 2023	Immediately/ 1 January 2023	(EU) 2023/2468 8 November 2023	9 November 2023
IFRS 17 Insurance Contracts and Subsequent Amendments	18 May 2017, 25 June 2020 and December 2021	1 January 2023	(EU) 2021/2036 19 November 2021 (EU) 2022/1491 8 September 2022	23 November 2021 and 9 September 2022
Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	7 May 2021	1 January 2023	(EU) 2022/1392 11 August 2022	12 August 2022
Definition of accounting estimates (Amendments to IAS 8)	12 February 2021	1 January 2023	(EU) 2022/357 2 March 2022	3 March 2022
Disclosure on accounting standards (Amendments to IAS 1)	12 February 2021	1 January 2023	(EU) 2022/357 2 March 2022	3 March 2022

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	Issuance 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:

Title of the document issued by the IASB	Date of publication of the IASB document	Date of entry into force	Number and date of EU type-approval regulation	Date of publication in the OJEU
Lease liability in a sale and leaseback (Amendments to IFRS 16)	22 September 2022	1 January 2024	EU 2023/2579 of 20 November 2023	21 November 2023
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	25 May 2023	1 January 2024		
• Classification of Liabilities as Current or Non-current; • Classification of Liabilities as Current or Non-current - Deferral of Effective Date; • Non-current Liabilities with Covenants (Amendments to IAS 1)	23 January 2020 15 July 2020 31 October 2022	1 January 2024 1 January 2024 1 January 2024	(EU) 2023/2822 of 19 December 2023	20 December 2023
Lack of Exchangeability (Amendments to IAS 21)	15 August 2023	1 January 2025		

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 2023 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 2023:

- 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 agenda decision 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 TISG’s 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 Group’s 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.

In the execution of the Impairment test at 31 December 2023, the following has been considered:

- The Public Statement of 25 October 2025 by ESMA "*European common enforcement priorities for 2023 annual financial reports*" which reiterates, additionally, some recommendation already present in the preceding Public Statement published in October 2022; more specifically, in the drawing up of reports and the given information, particular care is requested to:
    - Climate issues and the consistency between the information contained in the reports and the non-financial statements, to the recording of emission allowances (ETS) and certificates linked to renewable energy and the process of impairment test in a climate context;
    - The impact of the current macroeconomic context on the re-financing risks and other financial risks, as well as the process of fair value determination and the related disclosure;
    - Alternate performance measures.

- Discussion paper n. 1/2022 "*Impairment test of non-financial assets (IAS 36) following the war in Ukraine*" published on 29 June 2024 by the Organismo Italiano di Valutazione ("OIV") which recalls the content of the Public Statement of 13 May 2022 by ESMA (subject of the Consob Warning of 19 May 2022) and provides operational guidelines to manage the uncertainty of the current context regarding the exercise of any impairment test.

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
Plants and Machinery	6.67%-10%
Equipment	10%-25%
Office furniture and machinery	12%
Electronic machines	20%
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

STOCK INVENTORIES

Inventories are recorded at the lower of purchase or production cost and the net realisable value represented by the amount that the Group 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”.

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 COSTS

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 Group 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 Group'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) 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.

DERIVATES

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 (*Stati di Avanzamento Lavori*, "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 (SAL) 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 Group 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 Italian Tax Authority.

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 period.

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.

Due to the uncertainty that characterises the assumptions and the conditions upon which these estimates are based, the final results of the items in the financial statements for which these estimates and assumptions have been utilised may differ from those reported in the financial statements showing the effects of the estimated items.

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, Tecnomar and Perini Navi 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 Group’s 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 – TRADEMARKS

Changes in this item are detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Brands	34,650	34,685	(35)
TOTAL	**34,650**	**34,685**	**(35)**

in thousands of Euros	Admiral brand	Tecnomar brand	Perini Navi brand	Picchiotti brand	Celi brand	Total
Net Book Value 31/12/2022	**2,319**	**1,235**	**30,351**	**780**	**0**	**34,685**
Investments	-	-	0	0	10	**10**
Net decreases	-	-	-	-		**-**
Amortisation and depreciation	-	-	-	45		**45**
Net Book Value 31/12/2023	**2,319**	**1,235**	**30,351**	**735**	**10**	**34,650**

Brands: This item, amounting to Euro 34,650 thousand as at 31 December 2023, decreased, with respect to 31 December 2022, of Euro 35 thousand. This decrease is mainly attributable to the effect of the amortisation process of the Picchiotti brand (with finite useful life). Following the consolidation of subsidiary Celi S.r.l., it is important to note the registration, in this item, of the Celi brand for Euro 10 thousand.

Based on the results of the "Purchase Price Allocation – PPA", carried out in order to define the allocation of the sale price of the Perini Navi business complex to the various assets, a value of Euro 30,351 thousand 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 of the Admiral brand, incurred by The Italian Sea Group S.p.A. in 2011, and for Euro 1,235 thousand, for the purchase of the Tecnomar brand from CELI S.r.l., which took place in December 2019; both brands 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.

Brands are tested for impairment indicators at least once a year ("Impairment Test"). 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.

Pursuant to the applicable accounting regulations, the “recoverable amount” of the asset is equal to the higher of the “fair value net 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 practices, 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 2024-2027 Business Plan, approved by TISG’s Board of Directors on 6 February 2024.

The 2024-2027 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 (CAPM), which is an application criterion of general acceptance referred to in IAS 36;
- It reflects the 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 **11.50%**.

The results of the Impairment Test on TISG’s brands were approved by the Board of Directors on 6 February 2024.

In light of the above elements, no impairment losses have occurred during the 2023 financial year; therefore, the book values are confirmed.

NOTE 2 – OTHER INTANGIBLE ASSETS

Changes in this item are detailed as follows:

in thousands of Euro	**31/12/2023**	**31/12/2022**	**Changes**
Development costs	975	1,030	(55)
TOTAL	**975**	**1,030**	**(55)**

Projects: the item, equal to Euro 975 thousand as at 31 December 2023, down by Euro 55 thousand compared to 31 December 2022, net of amortisation, includes the Group’s investments regarding the capitalisation of software licenses and capitalised costs for 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:

- The above-mentioned projects were clearly identified, and the related costs are reliably identifiable and measurable;
- The projects' technical feasibility has been demonstrated;
- The intention to complete the projects and 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.

The types of projects that make up this item are detailed as follows:

In thousands of Euros	Tecnomar for Lamborghini	Software	Total
Net Book Value 31/12/2022	**1,030**	**0**	**1,030**
Changes in 2023			
Investments	0	464	464
Net decreases	0	0	0
Amortisation and depreciation	(279)	(240)	(519)
Net Book Value 31/12/2023	**751**	**224**	**975**

NOTE 3 – LAND AND BUILDINGS

Changes in this item are detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Land and buildings	8,972	5,402	3,570
Buildings on land under concession	48,318	32,952	15,366
TOTAL	**57,290**	**38,354**	**18,936**

This item, totalling Euro 57,290 thousand as of 31 December 2023, is increased by Euro 18,936 thousand compared to the previous year 2022 due to the capitalisation of the “Celi 1920” production capacity expansion project, where the total investment amounted to Euro 3,818 thousand, and the “TISG 4.0” and “TISG 4.1” projects, listed below:

TISG 4.0 Investments: Throughout 2022 and the beginning of 2023, the coverage of the historical dry dock; built in 1973, has been completed. The investments for the project have been completed in the first half of 2023.

TISG 4.1 Investments: Throughout 2023, the Group invested a total of Euro 15,238 thousand in this project. The investments concern an important reorganisation and upgrading of the entire Marina di Carrara Shipyard. In detail, this included the expansion of the shed next to the original dry dock, as well as a series of facilities and plants. This allowed to increase the number of vessels under construction by four. The main interventions were as follows:

- Demolition of a metal shed approximately 86x25 metres, functioning as a warehouse supporting refit activities;

- Expansion of the shed covering the existing dry dock (no. 5) through the realisation of a new shed made from reinforced concrete, single-span, approximately 38 metres wide, with a length of 174 metres and a height of 25 metres, dedicated to the construction and outfitting of yachts up to 90 metres in length;

- Expansion of the eastern dry dock;

- Construction of a single-story box above ground with a metal structure next to sheds no. 5 and no. 6.

The new section in expansion allowed for the construction, at the same time, of additional 4 yachts of 60/70 metres in length, compared to the shipyard’s current logistic availability.

The investments for the project were completed in the first half of 2023.

The buildings on land under state concession were depreciated on the basis of rates which are representative of the assets’ useful life; for this asset category, the utilised parameter is the expiry date of the Marina di Carrara state concession, scheduled for December 2043.

Changes in this item during the twelve months of 2023 are shown as follows:

In thousands of Euros	Land and buildings	Buildings on land under concession	Total
Historical cost	7,104	44,629	51,733
Depreciation provision	1,702	11,678	13,380
Net Book Value 31/12/2022	**5,402**	**32,951**	**38,353**
Changes in 2023			
Investments	3,836	17,341	21,177
Decreases	0	0	0
0 Transfers WIP and payments on account	0	0	0
Chg. Historical cost 2023	**3,836**	**17,341**	**21,177**
Amortisation and depreciation	266	1,974	2,240
Release of Depreciation Provision	0	0	0
Chg. Depreciation provision 2023	**266**	**1,974**	**2,212**
Historical cost	10,940	61,970	72,910
Depreciation provision	1,968	13,652	15,620
Net Book Value 31/12/2023	**8,972**	**48,318**	**57,290**

NOTE 4 – PLANT, MACHINERY AND EQUIPMENT

Changes in this item are detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Work in progress and payments on account	4,710	26,028	(21,318)
Industrial and commercial equipment	5,179	6,056	(877)
Plant and Machinery	24,233	15,528	8,705
Moulds	1,337	1,570	(233)
TOTAL	**35,459**	**49,182**	**(13,723)**

Work in progress and payments on account: equal to Euro 4,710 thousand as at 31 December 2023, up by Euro 21,318 thousand compared to 31 December 2022, mainly related to the completion of the “TISG 4.0”, “TISG 4.1”, “TISG 4.2” projects and refurbishing works of the “Celi 1920” Headquarters with the consequent change from item “Work in progress and payments on account” to the respective asset categories.

Industrial and commercial equipment: the item is equal to Euro 5,179 thousand, as at 31 December 2023, decreased by Euro 877 thousand compared to 2022, due to depreciation for the period; there were increases in the second half of 2023 by Euro 1,037 thousand due to the capitalisation of site equipment.

Plant and machinery: the item, amounting to Euro 24,233 thousand as at 31 December 2023, increased by Euro 8,705 thousand compared to the previous year 2022, mainly due to the capitalisation of the “TISG 4.0”, “TISG 4.1”, and “TISG 4.2” projects, the restructuring of the Stroncone factory, and for plant and machinery owned by the subsidiaries TISG Turkey Yat Tersanecilik Anonim Sirketi and CELI Srl by approximately Euro 1 million.

Moulds: the item, equal to Euro 1,337 thousand as at 31 December 2023, decreased by Euro 233 thousand compared to 2022, due to depreciation for the period.

Changes during the year are shown below:

In thousands of Euros	Work in progress and payments on account	Industrial and commercial equipment	Plant and Machinery	Moulds	Total
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**
Changes in 2023					
Investments	9,591	1,037	11,021	0	21,649
Decreases	0	0	0	0	0
Transfers	(30,909)	0	0	0	(30,909)
Chg. Historical cost 2023	**(21,318)**	**1,037**	**11,021**	**0**	**(9,260)**
Amortisation and depreciation	0	1,914	2,316	233	4,463
Release of Depreciation Provision	0	0		0	0
Chg. Depreciation provision 2023	**0**	**1,914**	**2,316**	**233**	**4,463**
Historical cost	4,710	15,152	53,798	5,251	78,911
Depreciation provision	0	9,973	29,565	3,914	43,452
Net Book Value 31.12.2023	**4,710**	**5,179**	**24,233**	**1,337**	**35,459**

NOTE 5 – OTHER TANGIBLE ASSETS

Changes in this item are detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Office furniture and machines	1,136	1,419	(283)
Cars	117	162	(45)
Transport Vehicles	2	3	(1)
Electronic office machines	7	19	(12)
TOTAL	**1,262**	**1,603**	**(341)**

The item, equal to Euro 1,262 thousand as at 31 June 2023, decreasing by Euro 341 thousand compared to 2022, due to depreciation for the period.

Changes in the item throughout 2023 are shown below:

in thousands of Euros	Office furniture and machines	Cars	Transport Vehicles	Total
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**
Changes in 2023				
Investments	134	0	0	134
Decreases	0	0	0	0
Transfers	0	0	0	0
Chg. Historical cost 2023	**134**	**0**	**0**	**134**
Amortisation and depreciation	429	45	1	476
Release of Depreciation Provision	0	0	0	0
Chg. Depreciation provision 2023	**429**	**45**	**1**	**476**
Historical cost	5,003	429	225	5,657
Depreciation provision	3,860	312	223	4,396
Net Book Value 31/12/2023	**1,143**	**117**	**2**	**1,261**

NOTE 6 – RIGHT-OF-USE

Changes in this item are detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Right Of Use – Plant and Machinery	601	853	(252)
Right Of Use – Cars	1,479	3,210	(1,731)
Right Of Use – Buildings on land under concession	30,443	42,014	(11,571)
TOTAL	**32,523**	**46,077**	**(13,554)**

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 601 thousand as at 31 December 2023, decreased by Euro 252 thousand compared to 31 December 2022, net of the depreciation for the period; this item includes all lease contracts related to the leasing of plant and machinery used for operational managing activities.

The item **ROU – Cars**, equal to Euro 1,479 thousand as at 31 December 2023, decreased by Euro 1.731 thousand compared to 31 December 2022, a decrease due to the effect of the termination of contracts during the year; this item includes all leasing contracts for motor vehicles that make up the corporate fleet.

The item **ROU – Buildings in land under concession**, amounting to Euro 30,443 thousand as at 31 December 2023, refers to the recognition of the discounted value of the state concessions relating to Marina di Carrara (concession expiring in December 2043) and La Spezia (concession expiring in February 2035); the decrease of Euro 11,571 thousand is mainly due to the sale of the office building in Viareggio, occurred via notary act on 4 May 2023.

The table of changes is shown below:

in thousands of Euros	Right of Use Cars	Right of Use Plant and Machinery	Right of Use Buildings on land under concession	Total
Historical cost	4,607	1,839	46,726	53,172
Depreciation provision	1,396	987	4,711	7,094
Net Book Value 31/12/2022	**3,210**	**853**	**42,014**	**46,077**
Changes in 2023				
Investments	0	0	2,508	2,508
Decreases	1,592	0	12,439	14,031
Transfers	0	0	0	0
Chg. Historical cost 2023	**(1,592)**	**0**	**(9,931)**	**(11,523)**
Amortisation and depreciation	838	252	2,684	3,774
Release of Depreciation Provision	699	0	1,044	1,743
Chg. Depreciation provision 2023	**139**	**252**	**1,640**	**2,031**
Historical cost	3,015	1,839	36,795	41,649
Depreciation provision	1,535	1,239	6,351	9,125
Net Book Value 31/12/2023	**1,479**	**601**	**30,443**	**32,523**

NOTE 7 – EQUITY INVESTMENTS

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Equity investments in subsidiaries	0	153	(153)
Equity investments in other companies	43	43	0
TOTAL	**43**	**196**	**(153)**

As at 31 December 2022, the item Equity investments in subsidiaries included the shareholding (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 153 thousand; as at 30 June 2023, this item has been consolidated and, thus, erased.

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 T.I.S.G. Asia Limited Group, based in Hong Kong, carried out in 2017. TISG Asia Limited currently acts as the Group's broker in the Asian market.

NOTE 8 – OTHER NON-CURRENT ASSETS

This item is detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Non-current security deposits	430	165	265
Other securities	1,286	2,950	(1,664)
receivables from the subsidiary	0	133	(133)
Receivables from CELI for long-term tax transaction	0	3,328	(3,328)
TOTAL	**1,716**	**6,576**	**(4,860)**

The item, which decreased compared to 2022 by Euro 4,860 thousand, is detailed as follows:

- **Security deposits:** the item, equal to Euro 430 thousand, increased by Euro 265 thousand mainly due to the advances paid in relation to the construction of the photovoltaic plant in Marina di Carrara and La Spezia.

- **Other securities:** recognised in the amount of Euro 1,286 thousand as at 31 December 2023, the item decreased by Euro 1,664 thousand compared to 31 December 2022, due to the recognition of the fair value of derivative financial instruments hedging the outstanding loans in the amount of Euro 1,286 thousand as at 31 December 2023.

- **Receivables from the subsidiary:** Equal to Euro 133 thousand as at 31 December 2022, was related to a receivable from the subsidiary TISG Turkey.

- **Receivables from CELI:** the item, as at 31 December 2022, was related to the long-term portion of the receivable arising from the related party CELI as part of the Tax Settlement signed by CELI and TISG with the Italian Tax Authority in October 2020, for which TISG has already advanced Euro 8,080 thousand to the Italian Tax Authority on behalf of CELI. The receivables will be repaid by CELI to TISG in 10 years. The first 6 half-yearly instalments of Euro 237 thousand each were repaid. The remaining 14 half-yearly instalments will be paid in the amount of Euro 152 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

This item is detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Current bank accounts and post-office deposits	76,412	81,316	(4,904)
Cash	1	1	0
TOTAL	**76,413**	**81,317**	**(4,904)**

The item **Current bank accounts and post-office deposits** as at 31 December 2023 amounts to a total of Euro 76,412 thousand, decreasing by Euro 4,904 thousand compared to 31 December 2022.

For more details on the change, please see the cash flow statement.

NOTE 10 – TRADE RECEIVABLES

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Receivables from customers	24,007	21,469	2,538
TOTAL	**24,007**	**21,469**	**2,538**

Receivables from customers, equal to Euro 24,007 thousand, increasing by Euro 2,538 thousand compared to 31 December 2022, mainly arose from commercial transactions related to the progress of production projects 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:

in thousands of Euro	31/12/2022	Provision made	Provision used	31/12/2023	Changes
Bad debt provision (trade receivables)	(910)	500	141	(1,269)	(359)
Bad debt provision (competition procedures)	(371)	0	0	(371)	0
TOTAL	**(1,281)**	**500**	**141**	**(1,640)**	**(359)**

The existing provision 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 below:

In thousands of Euro	31/12/2023	31/12/2022	Changes
Advances to suppliers	2,075	2,486	(411)
Receivables from parent companies	67	67	0
Tax receivables	2,795	3,403	(608)
TOTAL	**4,937**	**5,956**	**(1,019)**

The item **Advances to suppliers**, equal to Euro 2,075 thousand as at 31 December 2023, down by Euro 411 thousand compared to 31 December 2022, includes advances paid to suppliers with whom tender contracts were signed for works in progress.

The item **Receivables from parent companies**, equal to Euro 67 thousand as at 31 December 2023, refers to the payments carried out by TISG on behalf of parent company GC Holding S.p.A.

The item **Tax receivables**, equal to Euro 2,795 thousand as at 31 December 2023, decreased by Euro 608 thousand compared to 31 December 2022, refers mainly 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 below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Assets from contract work in progress	89,068	49,468	39,600
Liabilities from contract work in progress	(38,561)	(16,800)	(21,761)
TOTAL	**50,507**	**32,668**	**17,839**

The item **Assets from contract work in progress**, equal to Euro 89,068 thousand, includes construction contracts whose progress is higher than the amount invoiced to the customer. Compared to 31 December 2022, this item increased by Euro 39,600 thousand. This increase is mainly attributable to the trend of the order curves. This item also includes the work in progress of subsidiary Celi Srl for Euro 4,139 thousand.

The item **Liabilities from contract work in progress**, equal to Euro 38,561 thousand, includes the construction contracts for which the value of payments on account invoiced to the customer are higher than the work progress. Compared to 31 December 2022, this item increased by approximately Euro 21,761 thousand. This item also includes the work in progress of subsidiary Celi Srl for Euro 652 thousand.

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, net of any amount already invoiced.

The development of this item at 31 December 2023 ad at 31 December 2022 for yachts under contract is shown below:

In thousands of Euros **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**

In thousands of Euros **31/12/2023**	**Value of contracts**	**Contract progress**	**Advances invoiced**	**Net amount of business**
Yacht Orders	1,250,242	682,662	(638,288)	44,374
Refitting Orders	46,202	40,632	(34,499)	6,133
Total	**1,296,444**	**723,294**	**(672,787)**	**50,507**

As at 31 December 2023, there were 34 yachts (including 10 Tecnomar for Lamborghini 63 motor-yachts) in production to order, with Refit services being carried out by TISG on 9 yachts.

NOTE 13 – INVENTORIES

This item is detailed as follows:

In thousands of Euro	**31/12/2023**	**31/12/2022**	**Changes**
Raw, ancillary, and consumable materials	3,261	340	2,921
Work in progress and semi-finished goods	7,636	3,233	4,403
TOTAL	**10,897**	**3,573**	**7,324**

The item **Raw materials, supplies, and consumables**, amounting to Euro 3,261 thousand, increased by Euro 2,921 thousand compared to 2022 and refers to the amount of inventories of the general warehouse of the Group and the internal workshops, as well as those of subsidiaries TISG Turkey and Celi 1920.

The item **Work in progress and semi-finished goods** as at 31 December 2023 amounted to Euro 7,636 thousand, with an increase of Euro 4,403 thousand compared to 31 December 2022, 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 5,536 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:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Receivables from social security and tax authorities	107	38	69
Receivables from others (net of the related write-down provision)	127	163	(36)
Receivables from GFM	0	143	(143)
Receivables from CANTALUPI Corrente	0	(50)	50
Receivables from Tekno Consulting	0	10	(10)
Receivables from CELI for tax transaction	0	475	(475)
Receivables from insurance companies	0	36	(36)
Prepaid expenses	4,881	1,963	2,918
TOTAL	**5,115**	**2,778**	**2,337**

Receivables from social security and tax authorities: amounting to Euro 107 thousand as at 31 December 2023, they refer mainly to advances on INAIL contributions and withholdings on interest income from Unicredit and Deutsche Bank Time Deposits.

Receivables from others: the item, equal to Euro 127 thousand as at 31 December 2023, down by Euro 36 thousand compared to 31 December 2022, includes a number of receivables net of the related provision for write-downs.

Receivables from GFM: the item, amounting to Euro 143 thousand as at 31 December 2022, included the receivable from TISG, collected in 2023.

Receivables from CELI for tax transaction: this item, amounting to Euro 475 thousand as at 31 December 2022, referred 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 Italian Tax Authority in October 2020 (see note no. 8).

The item **Prepaid expenses**, equal to Euro 4,881 thousand, refers mainly to the calculation of the accruals of the insurance costs of the shipyard, the builder risks of the yachts under construction, and the bank guarantees.

COMMENTS ON THE MAIN CONSOLIDATED LIABILITY ITEMS

NOTE 15 – SHAREHOLDERS' EQUITY

The ordinary Shareholders' Meeting, held on 27 April 2023, approved the financial statements at 31 December 2022 and resolved to allocate part of the previous year's result to the statutory reserve in the amount of approximately Euro 950 thousand and to distribute to the shareholders dividends of Euro 0.272 per share. The remaining part of the net result, equal to approximately Euro 9,831 thousand, was carried forward.

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

The breakdown of Shareholders' Equity is detailed below:

In thousands of Euros	**31/12/2023**	**31/12/2022**	**Changes**
Corporate Capital	26,500	26,500	0
Share Premium Reserve	45,399	45,431	(32)
Statutory Reserve	5,300	5,300	0
Reserves and other retained earnings	17,109	7,724	9,385
Currency translation reserve	(83)	0	(83)
Net income (loss) for the period	36,911	24,046	12,865
TOTAL	**131,136**	**109,001**	**22,135**

At 31 December 2023, TISG's **Corporate Capital** stood at Euro 26,500 thousand, composed by 53,000,000 shares with nominal value of Euro 0.5 per share, fully subscribed and paid up.

Basic **Earnings per share** are determined as the ratio of the Group's result for the period to the weighted average of ordinary shares outstanding during the year. Therefore, treasury shares owned by the Group (equal to zero as at 31 December 2023), are excluded from the denominator.

In thousands of Euro	**31/12/2023**	**31/12/2022**
Net result	EUR 36,911.09	EUR 24,046.32
Profit attributable to ordinary shares	EUR 36,911.09	EUR 24,046.32
Average number of shares outstanding	53,000	53,000
Earnings per ordinary share	**EUR 0.70**	**EUR 0.45**
Average number of shares outstanding (adjusted)	53,000	53,000
Diluted earnings per ordinary share	**EUR 0.70**	**EUR 0.45**

NOTA 16 – PROVISIONS FOR RISKS AND CHARGES

Details of the changes and composition of the provisions for risks and charges from 31 December 2022 to 31 December 2023 are shown below:

CHANGES IN PROVISIONS FOR RISKS					
In thousands of Euros	**31/12/2022**	**Alloc.**	**Use**	**31/12/2023**	**Delta**
Civil actions	205	0	(52)	153	(52)
Provision for risks of legal and employment disputes	82	0	(51)	31	(51)
Provision for yacht guarantee	2,458	1,326	(539)	3,245	787
Provision for previous taxes	685	220	0	905	220
Other risks	1	0	0	1	0
TOTAL	**3,431**	**1,546**	**(642)**	**4,335**	**904**

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 31 thousand, arising from allocations made to cover the risk of losing in relation to certain employment law disputes.

Provision for yacht guarantees

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 Italian Tax Authority 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	31/12/2023	31/12/2022	Changes
Provisions for liabilities and charges	948	757	191
Losses to New	0	0	0
Others	6,837	2,894	3,943
Deferred tax assets	**7,785**	**3,651**	**4,134**

in thousands of Euro	31/12/2023	31/12/2022	Changes
Tangible assets	3,326	3,649	(323)
Brands	1,424	896	528
Others	0	0	0
Deferred tax liabilities	**4,750**	**4,545**	**205**
Net amount	**3,035**	**(894)**	**3,929**

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:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Liabilities for employee benefits	959	1,251	(292)
TOTAL	**959**	**1,251**	**(292)**

Employee benefits, which, according to Italian regulations, are categorised as severance indemnity (*trattamento di fine rapporto, T.F.R.*), 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

This item is detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Long-term bank payables	54,591	66,287	(11,696)
Lease liabilities – Motor vehicles (long-term portion)	1,576	2,834	(1,258)
Lease liabilities – Plants and Machinery (long-term portion)	346	516	(170)
Lease liabilities – Buildings on land under concession (long-term portion)	5,538	6,561	(1,023)
TOTAL	**62,051**	**76,198**	**(14,147)**

The item **Long-term bank payables**, equal to Euros 54,591 thousand, represents the amount, maturing beyond the 2024 financial year, of medium and long-term loans entered into during previous years and in the current year. The item decreased by Euro 11,696 thousand for the effect of the repayment of capital contributions at the conditions established with the different credit institutions. The Group is paying the instalments for outstanding loans in line with scheduled payments.

The items **Lease Liabilities – Cars**, **Lease Liabilities – Plants and Machinery**, and **Lease liabilities – Leased buildings** respectively equal to Euro 1,576 thousand, Euro 346 thousand as at 31 December 2023, refer to the long-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities – Buildings on land under concession, amounting to Euro 5,538 thousand as at 31 December 2023, 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 and La Spezia.

Details of financial liabilities with maturity dates are set out below:

Classification	Account Balance	Up to I year	I to V years	Beyond V years
BPM Payables	90	90	-	-
Pool Payables (Unicredit - Deutsche Bank)	23,743	4,703	19,040	-
Banca Intesa Payables	2,307	802	1,505	-
MPS Payables	7,867	1,600	6,267	-
MPS Capital service Payables	32,245	4,466	27,779	-
Right Of Use Payables	8,281	821	1,370	6,090
Minor Financial Payables	2	2	-	-
Total	**74,535**	**12,484**	**55,96**	**6,090**

NOTE 20 – OTHER NON-CURRENT LIABILITIES

Details of other non-current liabilities are provided below:

In thousands of Euros	**31/12/2023**	**31/12/2022**	**Changes**
Subsidised settlement – TER scrapping – long-term portion	-	50	(50)
Subsidised settlement – QUATER scrapping – long-term portion	86	-	86
TOTAL	**86**	**50**	**36**

The item **Subsidised settlement – QUATER Scrapping**, amount to Euro 86 thousand as at 31 December 2023, includes the long-term portion of the instalment plan signed with the Italian Tax Authority for all positions registered in the tax roll by 30 June 2022.

NOTE 21 – TRADE PAYABLES

This item is detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Payables to suppliers within the following year	90,568	78,770	11,798
TOTAL	**90,568**	**78,770**	**11,798**

Payables to suppliers: the item, equal to Euro 90,568 thousand as at 31 December 2023, shows an increase of Euro 11,798 thousand compared to 31 December 2022, due to the operating activities necessary for the work on the orders in progress, for the development of the refit activities, for the investments related to the “TISG 4.0”, “TISG 4.1”, “TISG 4.2” investment projects, for the new commercial offices in Marina di Carrara, and for the refurbishing of Celi S.r.l.’s Headquarters.

NOTE 22 – OTHER PAYABLES

This item is detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Subsidised Settlement – TER scrapping – short-term	0	580	(580)
Subsidised settlement – QUATER scrapping –short-term portion	28	0	28
Payables to social security institutions	4,167	1,680	2,487
Tax payables	14,241	7,641	6,600
Other payables	5,735	3,895	1,840
TOTAL	**24,171**	**13,796**	**10,375**

The short-term portion of the **Subsidised Settlement – QUATER Scrapping**, recognised in the financial statements at 31 December 2023 for Euro 28 thousand, refers to the portion of the instalment in progress with the Italian Tax Authority for collection due within the end of 2024.

The item **Payables to social security institutions**, equal to Euro 4,167 thousand as at 31 December 2023, refers to the debt for contributions payable by the Group to INPS, INAIL, to Fasi and Previndai, to the Cometa Supplementary Fund, and to other minor funds.

The item **Tax payables**, equal to Euro 14,241 thousand as at 31 December 2023, mainly includes payables to the tax authorities for 2023 IRES and IRAP.

The item **Other payables**, amounting to Euro 5,735 thousand as at 31 December 2023, mainly includes the present value of the payables to be paid to the Port Authority for the adjustment of the state concession fee for the Marina di Carrara site communicated by the grantor in the second half of 2023 and which will be subject to further discounting, following the attainment of the extension of the state concession to 2072, and includes payables related to the residual amount of the payables for the facilitated definition ter and to the debt restructuring agreement of CELI Srl.

NOTE 23 – SHORT-TERM FINANCIAL LIABILITIES

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Short-term payables to banks	11,663	14,164	(2,501)
Lease liabilities – Cars (short-term portion)	336	504	(168)
Lease liabilities – Plant and Machinery (short-term portion)	170	223	(53)
Lease liabilities – Buildings on land under concession (short-term portion)	315	269	46
Short-term payables to other lenders	0	33	(33)
TOTAL	**12,484**	**15,193**	**(2,709)**

The item **Short-term bank payables**, equal to Euro 11,663 thousand, decreased by Euro 2,501 thousand from 31 December 2022, 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 – Cars**, **Lease Liabilities – Plants and Machinery**, and **Lease liabilities – Leased buildings** respectively equal to Euro 336 thousand, Euro 170 thousand as at 31 December 2023, refer to the short-term portion of the financial debt linked to the application of IFRS 16.

Lease Liabilities – Buildings on land under concession, equal to Euro 315 thousand, refer to the short-term portion of payables for the state concessions of Marina di Carrara and La Spezia, in application of the IFRS 16 accounting standard.

Details of financial liabilities with maturity dates are set out below:

Classification	Account Balance	Up to I year	I to V years	Beyond V years
BPM Payables	90	90	-	-
Pool Payables (Unicredit - Deutsche Bank)	23,743	4,703	19,040	-
Banca Intesa Payables	2,307	802	1,505	-
MPS Payables	7,867	1,600	6,267	-
MPS Capital service Payables	32,245	4,466	27,779	-
Right Of Use Payables	8,281	821	1,370	6,090
Minor Financial Payables	2	2	-	-
Total	**74,535**	**12,484**	**55,961**	**6,090**

NOTE 24 – OTHER CURRENT LIABILITIES

This item is detailed as below:

In thousands of Euros	**31/12/2023**	**31/12/2022**	**Changes**
Accrued liabilities	239	728	(489)
Other payables due within the next year	12,799	26,150	(13,351)
TOTAL	**13,038**	**26,878**	**(13,840)**

The item **Other payables**, amounting to Euro 12,799 thousand as at 31 December 2023, decreased by Euro 13,352 thousand compared to 2022, is mainly composed as follows:

- Payables to employees for holidays and leave accrued by them at 31 December 2023 for Euro 5,274 thousand;

- Tecnomar for Lamborghini Deposits and Deposits for contracts under construction for Euro 7,515 thousand, which refer to the deposits paid by the respective customers upon the signing of contracts for the construction and sale of M/Y Tecnomar for Lamborghini 63.

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

NOTE 25 – REVENUES

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Revenues from sales and services	345,905	283,835	62,070
Change in contract work in progress	14,353	7,676	6,677
Total operating revenues	**360,258**	**291,511**	**68,747**
Other proceeds and income	11,507	7,710	3,797
Commissions	(4,166)	(4,093)	(73)
TOTAL	**367,599**	**295,128**	**72,471**

Revenues from sales and services, amounting to Euro 345,905 thousand as at 31 December 2023, have increased compared to the previous year for approximately Euro 62,070 thousand, following the signing of 6 contracts for the production and sale of yachts between 40 metres and 100 metres in length, and 3 contracts for motor-yachts of around 20 metres in length under the Tecnomar for Lamborghini 63 brand.

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

In thousands of Euros	31/12/2023	31/12/2022	Changes
Production and sale of yachts (Shipbuilding)	318,285	255,299	62,986
Incidence on total operating revenues	*88%*	*88%*	*92%*
Refit activities	41,973	36,212	5,760
Incidence on total operating revenues	*12%*	*12%*	*8%*
Operating revenues	**360,258**	**291,511**	**68,746**

The item **Other revenues and income**, equal to Euro 11,507 thousand as at 31 December 2023, is mainly composed as follows:

- **Insurance settlements**, for an amount of Euro 785 thousand as at 31 December 2023, refer to reimbursements paid in 2023 by insurance companies for costs incurred by TISG in 2023, related to claims for adverse weather events and damage to vehicles. In particular, the most significant claim occurred in February 2023, with an insurance reimbursement of Euro 680 thousand.

- **Other revenues**, for an amount of Euro 6,869 thousand, deriving from the management of existing constructions.

- **Contingent assets** in the amount of Euro 3,128 thousand as at 31 December 2023, which mainly refer to extraordinary income realised following the positive conclusion of some active disputes, thanks to the recovery activities carried out by the Group's legal counsel and to refunds deriving from the calculation adjusted by the Italian Tax

Authority of the registration tax paid for the acquisition of the Perini Navi asset for Euro 941 thousand.

Commissions payable, recognised in the financial statements at 31 December 2023 for Euro 4,166, refer to the brokerage activities of some of the leading brokers in the industry, which have been collaborating with the Group for years in seeking new customers, and the royalties accrued to Automobili Lamborghini during 2023 for the exclusive use of the Lamborghini brand.

NOTE 26 – RAW MATERIALS, COMPONENTS, AND CONSUMABLES

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
For raw ancillary materials, consumables and goods	(81,518)	(67,048)	(14,470)
Short-term rentals	(2,172)	(1,140)	(1,032)
Changes in raw material inventories	(54)	(104)	50
Change in inventories of semi-finished and finished products	4,402	159	4,243
TOTAL	**(79,342)**	**(68,133)**	**(11,209)**

The item **Costs of raw materials, consumables, and goods**, at 31 December 2023 equal to Euro 81,518 thousand, up from the previous financial year 2022 by Euro 14,470 thousand, includes all costs related to the procurement of the materials necessary to the development of production activities.

Short-term rentals, equal to Euro 2.172 thousand as at 31 December 2023, refer to all costs relating to 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 raw material inventories**, which represents a balance of Euro 54 thousand as at 31 December 2023, is decreasing from the previous financial year by 50 thousand.

The **Change in finished and semi-finished products** shows a positive balance of Euro 4,402 thousand at 31 December 2023, mainly due to costs incurred for the construction of orders for which a future sale is expected.

NOTE 27 – COST FOR OUTSOURCED WORK

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Outsourced works	(147,906)	(117,942)	(29,964)
TOTAL	**(147,906)**	**(117,942)**	**(29,964)**

The item **Cost for outsourced work**, equal to Euro 147,906 thousand as at 31 December 2023, increasing by Euro 29,964 thousand compared to 31 December 2022, refers to the production activities managed in outsourcing by specialised companies in the yachting industry.

In particular, it refers to marine carpentry services, turnkey furnishings of yachts and superyachts, electrical and plumbing works, and interior and exterior fittings of the yachts. The increase recorded in 2023 is linked to the development of the growth for external lines which involves the transfer, outside the Marina di Carrara shipyard, 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 below:

In thousands of Euros	**31/12/2023**	**31/12/2022**	**Changes**
Other services and consultancy	(16,305)	(16,353)	48
Legal, tax, and notary consultancy	(1,249)	(405)	(844)
Costs for auditing procedure	(70)	(49)	(21)
TOTAL	**(17,624)**	**(16,807)**	**(817)**

The item **Other services and consultancy**, amounting to Euro 16,305 thousand as at 31 December 2023, decreased by Euro 48 compared to the previous year 2022; this item includes the design phases of the new mega yachts entrusted to external designers and architects.

The item **Legal, tax, and notary consultancy**, equal to Euro 1.249 thousand as at 31 December 2023, includes the costs incurred for the management of legal activities, employment law advice, consultancy on industry-specific VAT regulations, as well as costs for the notarial deeds related to all contracts for the sale of yachts, extraordinary transactions, and other advice. The item increased by Euro 844 thousand compared to 2022.

The item **Auditing fees**, amounting to Euro 70 thousand as at 31 December 2023, includes the costs incurred for the audit and review of the Non-Financial Statement.

Note 29 - OTHER COSTS FOR SERVICES

This item is detailed as below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Transport expenses	(779)	(847)	68
Maintenance fees	(103)	(87)	(16)
Surveillance	(489)	(622)	133
Research costs	(446)	(591)	145
Miscellaneous administrative expenses	(1,556)	(471)	(1,085)
Utilities	(2,644)	(4,485)	1,841
Shipyard and vessel insurance	(3,888)	(2,579)	(1,309)
Cleaning and waste disposal costs	(414)	(131)	(283)
Sundry employee services	(481)	(499)	18
Advertising and entertainment expenses	(1,467)	(627)	(840)
Bank charges and fees	(187)	(330)	143
Fuels	(25)	(15)	(10)
Telephone costs	(115)	(142)	27
Software interventions	(12)	9	(21)
Directors' fees and expenses	(825)	(870)	45
Board of statutory auditors' fee	(32)	(32)	0
Supervisory Board	(27)	(17)	(10)
Other expenses	(461)	(402)	(59)
TOTAL	**(13,951)**	**(12,738)**	**(1,213)**

Utility costs, which amounted to Euro 2,664 thousand as at 31 December 2023, went down by Euro 1,841 thousand compared to the previous year, mainly due to the significant decrease in the price/kw from Euro 0.32/kw in 2022 to Euro 0.21/kw in 2023.

Sundry employee services, equal to Euro 481 thousand as at 31 December 2023, decreased by Euro 18 thousand compared to the previous year 2022 and mainly refer to services related to canteen and catering managed in the Group's Village and to travel and business trips related to the start-up of the foreign outsourcing of the production of structural work, and to some commercial trips.

Shipyard and vessel insurance, equal to Euro 3,888 thousand as at 31 December 2023, increased by Euro 1,309 thousand as a result of business development.

Miscellaneous administrative expenses, equal to Euro 1,556 thousand as at 31 December 2023, increased by Euro 1,085 thousand compared to the first half of 2023. This is mainly due to the increase in specific maintenance and reparations.

NOTE 30 – PERSONNEL COSTS

This item represents the total expensed incurred for the Group's 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 below:

In thousands of Euros	31/12/2023	31/12/2022	Changes
For staff members	(27,044)	(19,787)	(7,257)
Social security contributions	(8,183)	(6,913)	(1,270)
Severance indemnities	(1,650)	(1,377)	(273)
Other costs	(1,772)	(1,485)	(287)
TOTAL	**(38,649)**	**(29,562)**	**(9,087)**

The average number of Group employees in the year 2023 is 642, as shown below:

Average number	31/12/2023	31/12/2022
Executives	27	23
Employees	365	290
Workers	250	163
TOTAL	**642**	**476**

The number of employees as at 31 December 2023 is 658 and is detailed as follows:

Precise number as at 31 December	31/12/2023	31/12/2022
Executives	25	23
Employees	367	324
Workers	266	183
TOTAL	**658**	**530**

The management of all production phases led to a significant increase in employment levels, which is why the Group now plays a fundamental role within the Tyrrhenian Sea District as one of the leading players in terms of employment opportunities in the production of luxury mega-yachts.

NOTE 31 – OTHER OPERATING COSTS

This item is detailed as below:

In thousands of Euros	**31/12/2023**	**31/12/2022**	**Changes**
Provisions for risks	(1,326)	(1,053)	(273)
Contingent liabilities	(1,572)	(475)	(1,097)
Losses on receivables	0	0	0
IMU – Tasi	(335)	(384)	49
Municipal taxes	(1,143)	(444)	(699)
Branding	(2,417)	(547)	(1,870)
Other operating costs	(546)	(3,472)	2,926
TOTAL	**(7,339)**	**(6,375)**	**(964)**

The item **Provision for risks**, equal to Euro 1,326 thousand as at 31 December 2023, mainly refers to the allocation to the guarantee provision for yachts under construction, amounting to Euro 1,326 thousand.

Contingent liabilities, equal to Euro 1,572 thousand as at 31 December 2023, 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 **Branding**, equal to Euro 2,417 thousand as at 31 December 2023, includes *inter alia* all costs incurred for the event in collaboration with Giorgio Armani on 11 February 2023.

Throughout 2022, the item **Other operating costs** included 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 AND WRITE-DOWNS

This item is detailed as below:

In thousands of Euros	**31/12/2023**	**31/12/2022**	**Changes**
Depreciation of tangible fixed assets	(10,940)	(9,395)	(1,545)
Depreciation of intangible fixed assets	(578)	(494)	(84)
Write-downs and losses on receivables	(500)	(450)	(50)
TOTAL	**(12,018)**	**(10,339)**	**(1,679)**

With regard to the **Depreciation** of tangible and intangible fixed assets, please refer to note **no. 2 to note no. 6**.

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

NOTE 33 – FINANCIAL INCOME AND CHARGES

This item is detailed as follows:

In thousands of Euros	31/12/2023	31/12/2022	Changes
Other financial income	918	447	471
Interest expense to banks and others	(5,984)	(3,849)	(2,135)
Interest expense on interest-bearing loan to shareholders	0	(46)	46
Interest expense on Lease liabilities	(461)	(369)	(92)
TOTAL	**(5,527)**	**(3,817)**	**(1,710)**

The item **Financial income and charges**, equal to Euro 5,527 thousand, has been subject to a change equal to Euro 1,710 thousand versus the previous year, mainly due to the increase in interest rates.

NOTE 34 – INCOME TAXES

The tax burden reconciliation table is shown below:

In thousands of Euros	31/12/2023	31/12/2022
Theoretical IRES rate	**24.00%**	**24.00%**
Profit (loss) before tax	45,242	29,615
THEORETICAL IRES		
Total Increases	7,104	3,656
Total Decreases	(20,864)	(11,801)
Taxable income	(31,482)	(21,469)
Tax loss effect usable at 80%	0	0
ACE (AID TO ECONOMIC GROWTH)	745	750
Net taxable income	(30,737)	(20,719)
IRES 24%	**(7,377)**	**(4,973)**
IRAP	**(1,687)**	**(1,209)**
taxes from previous financial years	**(180)**	**0**
Total current taxes	**(9,244)**	**(6,182)**
Deferred tax assets/liabilities	913	663
Contingent assets from Patent Box application	0	151
TOTAL TAXES	**(8,331)**	**(5,368)**

It should be noted that the Group benefited from the facilitated taxation regime applying the Patent Box rules for the financial years 2019, 2020, 2021, 2022, and 2023.

Since TISG is among the entities entitled to exercise the option set forth in Article 4 of Decree-Law No. 58 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 Measure No. 658445 of the Director of the Italian Tax Authority, it chose to exercise the option for the direct determination of the taxable income, as set forth in Article 1 of said measure.

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

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

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

SUMMARY OF ECONOMIC TECHNICAL BASES	31/12/2023	31/12/2022	31/12/2021
Annual discount rate	2.95%	3.57%	0.29%
Annual inflation rate	2.00%	2.30%	1.75%
Annual rate of increase in severance indemnity	3.00%	3.23%	2.81%

More specifically it should be noted how:

- the annual discount rate used to determine the present value of the obligation has been derived, in line with section 83 of IAS 19, from the Iboxx Corporate AA index with duration 5-7 recognised at the valuation date. For this purpose, the performance with a duration comparable to the duration of the collective of workers under assessment was chosen;

- the annual rate of increase of the employee severance indemnity, as provided for by Article 2120 of the Italian Civil Code, is 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 separated by age and gender
Retirement	100% on reaching AGO [Compulsory General Insurance] requirements

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 KEY EVALUATION PARAMETERS	
THE ITALIAN SEA GROUP SPA	**DBO 31/12/23**
Turnover rate +1%	890,115.27
Turnover rate -1%	888,033.54
Inflation rate +0.25%	895,906.82
Inflation rate -0.25%	882,393.16
Discount rate +0.25%	878,860.22
Discount rate -0.25%	899,595.33

Service Cost and Duration	
THE ITALIAN SEA GROUP SPA	
Service Cost 2021	21,404.77
Duration	6.2

ESTIMATED FUTURE REIMBURSEMENTS	
Years	**Expected reimbursements**
1	151,128.86
2	117,127.68
3	100,437.37
4	89,723.86
5	114,001.47

NOTE 36 – CASH FLOW HEDGE

In the context in which the use of derivative instruments is formally designed to hedge a specific risk, and such hedging results effective, it is possible to apply Hedge Accounting rules, which provide for different accounting standards for hedge category.

A hedge instrument is that in which the fair value or the cash flow should compensate, entirely or in part, the change in fair value or cash flows 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 Owners relating to the sale contracts entered into.

RELATIONS WITH RELATED PARTIES

Below is a list of the main Related Parties with which transactions took place in 2023 and the type of relationship:

List of related parties	Related-party relationship
GC HOLDING S.p.A.	53.6% PARENT COMPANY OF TISG
TISG Turkey YTAS	100% SUBSIDIARY
PERINI NAVI USA Inc.	100% SUBSIDIARY
GMC Architecture S.r.l. S.t.p.	GC HOLDING INVESTEE COMPANY
CELI SRL	100% SUBSIDIARY
SANTA BARBARA S.r.l.	RELATED PARTY OF TISG

Transactions with related parties during the financial year ended at 31 December 2023 are shown below:

BALANCE SHEET (€/000)	GC Holding	GMC ARCHITECTURE S.R.L. S.T.P.	SANTA BARBARA S.R.L.
SECURITY DEPOSITS			
FINANCIAL RECEIVABLES	67		
TRADE RECEIVABLES		1	4
TOTAL ACCOUNTS RECEIVABLE	**67**	**1**	**4**
FINANCIAL PAYABLES	0		
TRADE PAYABLES	38	8	0
TOTAL PAYABLES	**38**	**8**	**0**

INCOME STATEMENT (€/000)	GC Holding	GMC ARCHITECTURE S.R.L. S.T.P.	SANTA BARBARA S.R.L.
COSTS FOR PROCESSING			0
COSTS FOR CONSULTANCY		253	
COSTS FOR SERVICES			180
INTEREST PAYABLES	0		
TOTAL COSTS	**0**	**253**	**180**
REVENUES FROM SALES		2	0
INTEREST INCOME			
TOTAL REVENUES	**0**	**2**	**0**

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 a motor-yacht under the Admiral brand with a length of 100 metres, the hull and superstructure of two motor-yachts under the Admiral brand, with a length of 72 metres, and the hull and superstructure of two motor-yachts under the Admiral brand, with a length of 72 and 88 metres respectively.

In order to approve the afore-mentioned agreements, the prior reasoned opinion of the Related Party Transactions Committee was obtained, highlighting the Group'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 outfitting 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 Italian Tax Authority 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 Tax Authority for Euro 8,982 thousand was the subject of a Tax Settlement between the Authority, CELI and TISG, as the subject jointly and severally liable. The settlement deed signed in October 2020 with the Italian Tax Authority reduced the amount to be paid to Euro 7,976 thousand.

The remaining payable as at 31 December 2023 amounting to Euro 2128 will be repaid by CELI to TISG in 10 years from 30 June 2021 until 31 December 2030. CELI repaid the instalments according to the repayment plan on 31 December 2023.

On 28 June 2021, following the signing of the tax - social security settlements by CELI, the Italian Tax Authority, 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 Bankruptcy 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 from an efficiency perspective.

Santa Barbara: TISG and SANTA BARBARA signed a contract on 08.02.2022 concerning TISG's use of a property to carry out business activities with potential or current customers for TISG itself, offering them accommodation, entertainment services, event organisation and social dinners.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Throughout 2023, 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 operation in the section related to significant events of 2023.

TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Throughout 2023, 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 notes to the financial statements and the report on operations.

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 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:

in thousands of Euros	31/12/2023	31/12/2022
Net result	EUR 36,911.09	EUR 24,046.32
Profit attributable to ordinary shares	EUR 36,911.09	EUR 24,046.32
Average number of shares outstanding	53,000	53,000
Earnings per ordinary share	**EUR 0.70**	**EUR 0.45**
Average number of shares outstanding (adjusted)	53,000	53,000
Diluted earnings per ordinary share	**EUR 0.70**	**EUR 0.45**

AUTHORISATION TO PUBLISH

This document was published on 8 April 2024 upon authorisation of the Chair and the Chief Executive Officer.

DIRECTORS' AND STATUTORY AUDITORS' REMUNERATION

The total remuneration due for the financial year 2023 to the Directors and Statutory Auditors of TISG S.p.A., for carrying out these functions in the Group, amounts to Euro 780 thousand for the Directors and Euro 31 thousand for the Statutory Auditors. For a complete and detailed description of the remuneration paid to Directors, please refer to the Remuneration Report available at the Group's registered office and on the Group’s website.

SUMMARY STATEMENT OF FEES TO THE AUDITING FIRM AND OTHER ENTITIES BELONGING TO ITS NETWORK

Pursuant to Article 149-*duodecies* of the Issuers' Regulation, it should be noted that the total fees payable to BDO Italia S.p.A. and the BDO network for the review of the 2023 Annual Financial Report, including the review of the Non-Financial Statement, are summarised in the table below:

in thousands of Euro	31/12/2023
Fees for auditing	70
TOTAL	**70**

Certification by the Manager responsible of preparing financial reports

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned Giovanni Costantino (Chief Executive Officer) and Marco Carniani (Financial Reporting Manager) of The Italian Sea Group S.p.A., taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998, certify as follows:

a) have been defined in a manner consistent with the administrative/accounting system and the
Group structure;
b) their adequacy has been verified;
c) the administrative and accounting procedures for the preparation of the financial statements were actually applied during the period from 1 January 2023 to 31 December 2023 to which the consolidated financial statements refer.

2. No major issues emerged in this respect.

3. We hereby also certify that the Consolidated Financial Statements as at 31 December 2023:

a) are consistent with the amounts indicated in the accounting records and documents;
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) are suitable to provide a truthful and correct representation of the profit/loss, financial and economic results of the issuer and of the group of undertakings included in the consolidation.

Date 21 March 2024

PROPOSED RESOLUTION

Dear Shareholders,

We propose to allocate the net profit for the year 2023, totalling Euro 36,682 thousand (as opposed to Euro 36,911 thousand in the Consolidated Financial Statements), as follows:

- distribute a dividend to shareholders, totalling Euro 19,610 thousand;
- increase retained earnings in the amount of Euro 17,072 thousand;

Finally, we invite you to approve the Annual Financial Report as at 31 December 2023, as well as the proposed allocation of the net result for the year as illustrated.

Marina di Carrara, 21 March 2024

Firma Amministratore Delegato

Firma dirigente preposto alla redazione dei documenti contabili societari

The Italian Sea Group S.p.A.

Independent auditor's report pursuant to Article 14 of Legislative Decree no. 39, dated January 27, 2010 and Article 10 of Regulation (EU) 537/2014

Consolidated Financial statements as at December 31, 2023

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.

AMN/FPC/git - RC047142023BD1192

Tel: +39 02 58.20.10
www.bdo.it

Viale Abruzzi, 94
20131 Milano

Independent auditor's Report
pursuant to Article 14 of Legislative Decree n. 39, dated January 27, 2010 and Article 10 of Regulation (EU) 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 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, 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 2023 Contract assets for an amount equal to Euro 89,068 thousand (corresponding to 23.60% of total assets) and liabilities for contracts equal to Euro 38,561 thousand (corresponding to 10.21% 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; ▪ 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; ▪ for the boats delivered during the year, check the correct closing of the current order and the possible effect on the Income Statement;

Key audit matter	Audit response
	▪ examination for the appropriateness of disclosures included in the notes to the consolidated financial statements and its compliance with applicable accounting standards.
Valuation of Trademarks with an indefinite useful life Please refer to Note no. 1 “Trademarks”. The Group presents trademarks for Euro 34,650 thousand in its consolidated financial statements as at December 31 2023 (corresponding to 9.18% 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 2024-2027 of the Company and approved by the Board of Directors of The Italian Sea Group S.p.A. as of February 6, 2024. In consideration of the significance of the book value also following the acquisition of the Perini brand which took place during the previous 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.	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 2024-2027 Business Plan; ▪ analysis of the reasonableness i) of the main assumptions used by Management in identifying trademarks with an indefinite useful life, in determining the related future expected cash flows; ii) the valuation models adopted; ▪ examination of the sensitivity analysis carried out by Management 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 conducted. In our analyses, we 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.

Responsibilities of the Directors and the Board of Statutory Auditors 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 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 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.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, 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 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 we have 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) n. 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 Regulation (EU) 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 Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements as at December 31 2023 to the requirements of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023 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 no. 39/10 and of Article 123-bis paragraph 4 of Legislative Decree no. 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 2023, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under Auditing 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 no. 58/98, with the consolidated financial statements of The Italian Sea Group as at December 31 2023 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of The Italian Sea Group as at December 31 2023 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to Article 14, paragraph 2, (e), of Legislative Decree no. 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 no.254, of December 30th,2016 we attested the compliance of the consolidated non-financial statement separately.

Milan, April 5, 2024

BDO Italia S.p.A.
Signed by

Andrea Meneghel
Partner