



The Italian Sea Group S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n.
39, dated January 27, 2010 and article
10 of EU Regulation n. 537/2014

Consolidated Financial statements at
December 31, 2021

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
The Italian Sea Group S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Italian Sea Group (the "Group"), which comprise the consolidated statement of financial position as at December 31 2021, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity, and the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31 2021, 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 the consolidated financial statements as at December 31 2021 Contract assets for an amount equal to Euro 41,337 thousand (corresponding to 17.58% of total assets) and liabilities for contracts equal to Euro 16,345 thousand (corresponding to 6.95% of total equity and liabilities).

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.

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 examined 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. We 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 significant sample of contracts, the examination and verification of the process adopted to allocate the costs to each contract and checked for consistency the data between the general accounts and the contract accounting;
- for a significant sample of contracts, we verified the accuracy of costs allocated to the specific contracts;
- 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 life costs;
- for the boats delivered during the year, we checked the correct closing of the current order and the possible effect on the Income Statement;
- examination for the appropriateness of disclosures included in the notes to the consolidated financial statements and its compliance with applicable accounting standards.

Related parties transactions

Refer to the paragraph “Related party transactions”. During the period the Parent Company performed some transactions with related parties, that modified the structure of the Group.

In particular, the transactions with related parties were regarding:

- i. The commission of joinery works for the realization of interiors of boats in progress to order;
- ii. The repayment of the credit resulting from the transfer of business occurred on June 24 2019;
- iii. The signing of an agreement for the construction of a hull and superstructure for a boat in progress to order;

We have considered transactions with related parties as a key audit matter because of the risks associated with them in terms of the existence, completeness and inherent nature of transactions with related parties, in addition to the presentation in the consolidated financial statements.

Our main audit procedures performed in response to the key audit matter regarding the existence, completeness and inherent nature of transactions with related parties included the following:

- understanding and understanding of criteria and procedures adopted by Management in identifying related parties and recognise the transaction with them;
- examination of the procedure on related parties adopted by the Parent Company;
- discussion with company functions involved, included the Board of Statutory Auditors, on relevant issues of the transaction;
- read the minutes of the related parties committee and other statutory bodies;
- examination, for a relevant sample of transactions, of supporting evidence and contracts to the evaluation of management on the economic and commercial substance of the transactions and that are performed at market conditions;
- examination of unusual transactions or those of significant value;
- examination for the appropriateness of disclosures included in the notes to the consolidated financial statements and the report on operations, and its compliance with applicable accounting standards.

Responsibilities of the Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree n. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 were supplemented with a proposal dated March 10, 2022 for each fiscal year starting from December 31 2021 to December 31 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of The Italian Sea Group S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF - European Single Electronic Format) (hereinafter the "Delegated Regulation") to the consolidated financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements to the requirements of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis, paragraph 4, of Legislative Decree n. 58/98.

The Directors of The Italian Sea Group S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of The Italian Sea Group S.p.A. as at December 31 2021, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree n. 58/98, with the consolidated financial statements of The Italian Sea Group as at December 31 2021 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 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milano, April 7, 2022

BDO Italia S.p.A.
Signed by

Andrea Meneghel
Partner

The Italian Sea Group S.p.A.

Independent auditor's report pursuant
to article 14 of Legislative Decree n.
39, dated January 27, 2010 and article
10 of EU Regulation n. 537/2014

Financial statements at December 31, 2021

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
The Italian Sea Group S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of The Italian Sea Group S.p.A. (the Company), which comprise the statement of financial position as at December 31 2021 the income statement, the statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter**Audit response**

Assets and liabilities from contract work in progress

Refer to note 12

The Italian Sea Group S.p.A. records in the financial statements as at December 31 2021 Contract assets for an amount equal to Euro 41,337 thousand (corresponding to 17.58% of total assets) and liabilities for contracts equal to Euro 16,345 thousand (corresponding to 6.95% of total equity and liabilities).

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.

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 examined 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. We 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 significant sample of contracts, the examination and verification of the process adopted to allocate the costs to each contract and checked for consistency the data between the general accounts and the contract accounting;
- for a significant sample of contracts, we verified the accuracy of costs allocated to the specific contracts;
- 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 life costs;
- for the boats delivered during the year, we checked the correct closing of the current order and the possible effect on the Income Statement;
- examination for the appropriateness of disclosures included in the notes to the financial statements and its compliance with applicable accounting standards.

Related parties transactions

Refer to the paragraph “Related party transactions”.

During the period the company performed some transactions with related parties, that modified the structure of the Group.

In particular, the transactions with related parties were regarding:

- i. The commission of joinery works for the realization of interiors of boats in progress to order;
- ii. The repayment of the credit resulting from the transfer of business occurred on June 24 2019;
- iii. The signing of an agreement for the construction of a hull and superstructure for a boat in progress to order;
- iv. Provision of funding for the participation in a bankruptcy auction.

We have considered transactions with related parties as a key audit matter because of the risks associated with them in terms of the existence, completeness and inherent nature of transactions with related parties, in addition to the presentation in the financial statements.

Our main audit procedures performed in response to the key audit matter regarding the existence, completeness and inherent nature of transactions with related parties included the following:

- understanding and understanding of criteria and procedures adopted by Management in identifying related parties and recognise the transaction with them;
- examination of the procedure on related parties adopted by the company;
- discussion with company functions involved, included the Board of Statutory Auditors, on relevant issues of the transaction;
- read the minutes of the related parties committee and other statutory bodies;
- examination, for a relevant sample of transactions, of supporting evidence and contracts to the evaluation of management on the economic and commercial substance of the transactions and that are performed at market conditions;
- examination of unusual transactions or those of significant value;
- examination for the appropriateness of disclosures included in the notes to the financial statements and the report on operations, and its compliance with applicable accounting standards.

Responsibilities of the Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree No. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

We were initially engaged by the shareholders meeting of The Italian Sea Group S.p.A. on February 17, 2021 to perform the audits of the financial statements of each fiscal year starting from December 31 2021 to December 31 2029.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation n.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of The Italian Sea Group S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF - European Single Electronic Format) (hereinafter the “Delegated Regulation”) to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under audit standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements to the requirements of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98.

The Directors of The Italian Sea Group S.p.A are responsible for the preparation of the report on operations and of the corporate governance report of The Italian Sea Group S.p.A. as at December 31 2021 including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of The Italian Sea Group S.p.A as at December 31 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of The Italian Sea Group S.p.A as at December 31 2021 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

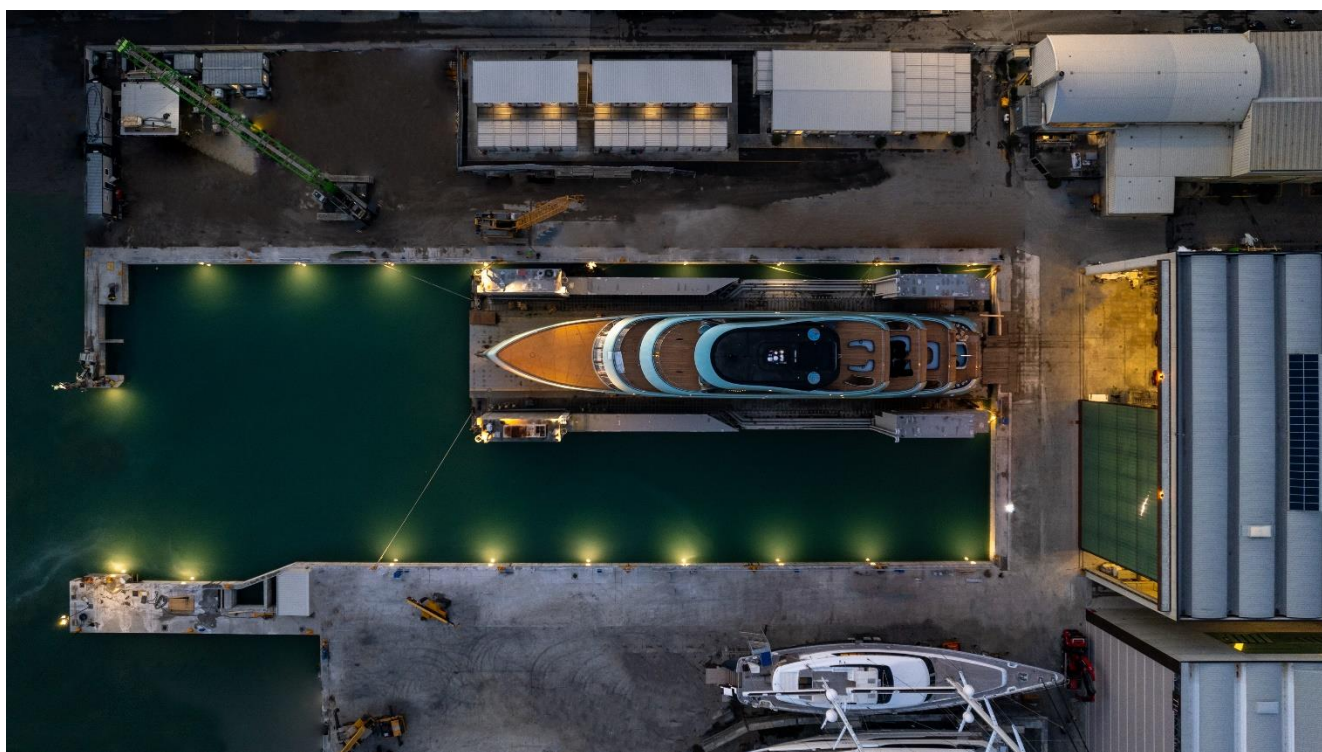
Milan, April 7, 2022

BDO Italia S.p.A.
Signed by

Andrea Meneghel
Partner

CONSOLIDATED ANNUAL FINANCIAL REPORT AT 31 DECEMBER 2021

THE ITALIAN SEA GROUP S.P.A.



ADMIRAL KENSHO

THE ITALIAN SEA GROUP

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THE ITALIAN SEA GROUP

LETTER FROM THE FOUNDER & CEO TO THE SHAREHOLDERS

Dear Shareholders:



2021 was a particularly significant year for “The Italian Sea Group”, characterised by significant growth in terms of increased orders, production capacity and recognition of our brands in the luxury yachting markets.

In 2021 our Company recorded a 60% increase in revenues, which reached Euro 186 million, with significant growth in the segment of yachts over 60 meters, in which we specialise, and a strong boost generated by the success of the Tecnomar for Lamborghini 63 project.

EBITDA doubled, in absolute values, compared to 31 December 2020 and

reached Euro 28 million with an incidence on Revenues of 15%.

The Net Financial Indebtedness, positive by Euro 41 million, is the result of the strong generation of operating cash derived mainly from collections related to the progress of existing contracts and the capital increase realised since the listing that took place in the first half of 2021.

Today's results are testament to our demonstrated capacity for growth, will and continuous pursuit of excellence, as we are being recognised as a solid Group with high-profile standards.

The positioning of our company in the luxury sector has been further strengthened by the development and success of the two important collaborations with brands of excellence in the international markets of the Made in Italy and luxury, such as Automobili Lamborghini and Giorgio Armani; we have also focused on increasing the size of the yachts where we have produced, for a first time, a 100 meter long giga yacht.

Since 8 June 2021, The Italian Sea Group has been listed on "Euronext Milan", a market organised and managed by Borsa Italiana S.p.A..

The listing represented a further important milestone for our Company, confirming to the market our desire to grow and build a transparent relationship with the financial community.

Our status as a listed company has given us greater visibility in international markets, which are strategic for our development, and a greater ability to attract qualified resources. The total funds raised through the issue of new shares at the time of the IPO brought in about Euro 45 million to the Company's coffers which enabled us to seize some investment opportunities to accelerate our growth path.

Within this context, the great opportunity of 2021 was the acquisition of Perini Navi, which we won at its auction, with an investment of Euro 80 million.

This acquisition also consolidated our positioning in the large sailing yacht segment, in which we already had a significant presence since the first half of 2021, thanks to the already underway production of one of the largest sailing catamarans in the world, i.e., 46.5 meters long and 18 meters wide.

The Perini Navi acquisition accelerates our expansion also in terms of production capacity with the two prestigious shipyards located in Viareggio and La Spezia. The development of the two production sites, already operational to date, will require a total investment of Euro 1.8 million in the period between 2022 and 2023.

Based on the strong conviction of being able to exploit the entire production capacity of the two shipyards in terms of synergy with the typical activities of our Company, on 28 February 2022 the Board of Directors has resolved to merge the subsidiary New Sail S.r.l., which had completed the acquisition from Perini Navi's bankruptcy proceedings, thus also simplifying its organisational and corporate structure.

After having clearly defined the integration projects of the acquisition and start-up of the production sites, we are fully focused on their execution.

Our commitment to producing high quality products in compliance with the required deadlines has allowed us to bring our order book to Euro 827 million at 31 December 2021, also through the strengthening of our presence in strategically important markets such as the US in the large size segment. Confirming this, the sale of a new 82-meter Admiral yacht to an American customer represented an important milestone, which confirms our growing consolidation on international markets, allowing us to deal directly with the historic Northern European shipyards.

The success of our partnerships is also relevant, in particular with regard to the production of limited edition 63-foot yachts (approximately 20 meters) in collaboration with Automobili Lamborghini. After the delivery of the first yacht of this type in July 2021, our success has continued with 13 Tecnomar for Lamborghini 63 yachts under construction at 31 December 2021 and we are seeing an exciting development in sales in this division also for 2022.

We also continue our investments in the expansion of production capacity within our Headquarters in Marina di Carrara through the "TISG 4.0" and "TISG 4.1" plans, which will be completed by the end of 2022.

We are also committed to the implementation of our sustainability strategy: the TISG 4.1 investment plan is wide-ranging and also provides for the ecological transition of our facilities, through the installation of a photovoltaic system on all the sheds within our shipyard.

This plant is a further piece of our strategic plan, which already includes a strong commitment to the construction of "green" yachts through the introduction of hybrid engines and the use of paints and raw materials with low environmental impact, including synthetic teak, enhancing the sustainability factor at every stage of the production chain.

We pay constant attention to the well-being and training of our employees, through technical refresher courses but also motivational coaching, to provide a 360° training that embraces not only the work sphere, but also the personal one.

We have significant female participation at all levels of the Company, participation of which I am very proud and which to date represents approximately 20% of our workforce.

We close 2021 with exciting results and an outlook filled with opportunities, which confirm what we had already communicated to the market and our Shareholders at the IPO. Based on these results, which allow us to look to the future with great determination and confidence, we confirm the 2022 Guidance.

As regards the conflict between Russia and Ukraine, I would like to reassure about the limited exposure of our Net Backlog towards the Russian market, with which there is only one order scheduled to be delivered in the first months of 2023, and about the completion level of the orders in progress. In general, to date no order has been cancelled nor has there been any delay in the payments according to the progress of the contractual works (Stati di Avanzamento Lavori - SAL).

I would like to thank all of our Company's employees for their invaluable contribution and commitment in achieving all our objectives for the year and that have enabled us to confirm and satisfactorily exceed all of our expectations.

I also thank all the Shareholders who have confidence in us: we will continue to work to achieve our next ambitious objectives with the transparency, perseverance, commitment and tenacity that have always characterised our history of growth and development.

Giovanni Costantino

The Italian Sea Group Founder & CEO

SUMMARY DATA AND GENERAL INFORMATION

LEGAL INFORMATION

Business name of the Parent Company: "The Italian Sea Group S.p.A.", in short "TISG S.p.A." or "TISG".

Registered office of the Parent Company: Marina di Carrara (MS), Viale Cristoforo Colombo 4 bis

Tax Code: 00096320452

Number of registration in the Register of Companies of Carrara - Economic and Administrative Index: no. 65218

Fully paid-up share capital: Euro 26,500,000, 62.5% owned by GC Holding S.p.A.

METHODOLOGICAL PREMISE

The year ended 31 December 2021 represents, for TISG, the first year in which consolidated financial statements are prepared, as in September 2021 TISG has established New Sail S.r.l., a wholly owned special purpose vehicle, which was awarded the bankruptcy auction of the Perini Navi bankruptcy complex on 22 December 2021.

New Sail S.r.l., at 31 December 2021, showed an economic and financial position characterised solely by the intercompany loan received from TISG for Euro 8 million, paid by New Sail itself as a deposit to participate in the aforementioned bankruptcy auction.

As stated above and in compliance with the reference IAS/IFRS framework, the first consolidated financial statements of TISG, at 31 December 2021, show the balances of the separate financial statements of TISG at 31.12.2020 as comparative data.

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

	31-Dec-21	
(in thousands of Euro)	Shareholders' Equity	Operating result
Financial Statements of The Italian Sea Group S.p.A.	92,898	16,332
Derecognition of intercompany transactions	(10)	(10)
Total attributable to the Shareholders of the Parent Company	92,888	16,322
Net equity and minority interests	0	0
Total Consolidated Financial Statements	92,888	16,322

CORPORATE AND CONTROL BODIES

Board of Directors

Chair of the Board of Directors

Deputy Chair of the Board of Directors

Chief Executive Officer

Non-Executive Board Director

Independent Board Director

Independent Board Director

Independent Board Director

Filippo Menchelli

Giuseppe Taranto

Giovanni Costantino

Giulio Pennacchio

Fulvia Tesio

Massimo Bianchi

Antonella Alfonsi

Control, Risk and Related Parties Committee

Chair

Standing member

Standing member

Massimo Bianchi

Fulvia Tesio

Antonella Alfonsi

Appointment and Remuneration Committee

Chair

Standing member

Standing member

Fulvia Tesio

Massimo Bianchi

Antonella Alfonsi

Board of Statutory Auditors

Chair of the Board of Statutory Auditors

Standing Auditor

Standing Auditor

Alternate Auditor

Alternate Auditor

Felice Simbolo

Barbara Bortolotti

Mauro Borghesi

Anna Lisa Naldi

Luisa Bortolotti

Supervisory Body pursuant to Legislative Decree 231/01

Chair of the Supervisory Board

Member

Annalisa De Vivo

Carlo De Luca

Independent Auditors

BDO Italia S.p.A.

Manager responsible for preparing the financial reports

Marco Carniani

REPORT ON OPERATIONS TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

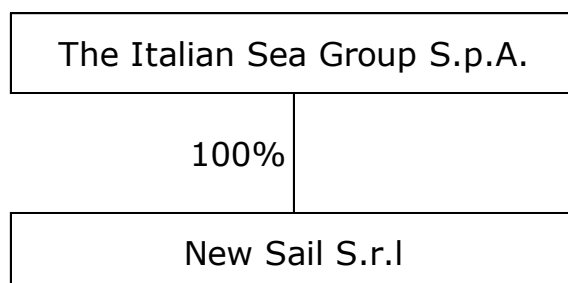
GROUP PROFILE AND STRUCTURE

The Italian Sea Group S.p.A. is based in Carrara (MS) and is a global operator in the luxury yachting sector with its Picchiotti, Admiral, Perini Navi, Tecnomar and NCA Refit brands.

The Group is one of the main world players in this sector and its activities can be broken down as follows:

- Construction of new yachts through the Picchiotti, Admiral, Perini Navi and Tecnomar brands;
- Refit services both on its own yachts and on ships - motor and sailing - built by third party manufacturers.

The Group is made up of two companies: The Italian Sea Group S.p.A. (Parent Company) and New Sail S.r.l. (Subsidiary).



INFORMATION ABOUT THE GROUP

The Group (TISG) is one of the most renowned and prestigious operators in the international nautical sector, specialised in the design, production and marketing of yachts and super yachts, motor and sailing, made of fibreglass, aluminium and steel, of a length ranging between 17 and over 100 meters, and carries out ordinary and extraordinary maintenance activities (refit) on all brands of yachts, especially on larger yachts over 60 meters. To date, the TISG brands include: Admiral, Tecnomar, Perini Navi and Picchiotti.

TISG stands out for its ability to offer owners a profound experience in the world of luxury. The highest quality in workmanship and selection of materials, attention to the most minute details, passion, style, innovation, design, advanced technologies and know-how, a taste for art and beauty, professionalism, prestige and hospitality are the distinctive elements of the TISG's 100% made-in-Italy philosophy.

The yachts built and marketed by TISG, within the Marina di Carrara shipyard and in its facilities, target (due to their characteristics of size and product type) different customer profiles, with particular attention - with regard to larger sized products - shipowners who already have their own fleets and to the few billionaires in the world.

Admiral:

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

- Super yachts 50 – 70 metres;
- Mega yachts 70 – 100 metres;
- Giga yachts > 100 metres.

Elegance, classic style, high customisation and eco-sustainability are just some of the principal characteristics of Admiral yachts.

Tecnomar:

This brand has been on the market since 1987 and includes Motor Yachts between 17 and 50 metres in size. The distinctive features of the Tecnomar yachts include innovative design, modern lines, sporting and dynamic style, and high speed performance.

Perini Navi:

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

The founder's vision achieved great success thus making the brand a true icon of the nautical industry.

Picchiotti:

Picchiotti is a historic brand of the Italian nautical industry. Its foundation dates back to before 1600. In addition to the construction of military and commercial ships, the Picchiotti brand has achieved growing success in the construction of luxury yachts. The Picchiotti shipyards are considered pioneers in the construction of recreational motor yachts.

BRIEF HISTORY OF THE GROUP

In December 2012, **GC Holding S.r.l.** acquired 100% of the share capital of Nuovi Cantieri Apuania S.p.A. (now The Italian Sea Group S.p.A.), which produced commercial and cruise ships within the Marina di Carrara shipyard.

The Marina di Carrara shipyard was established in 1942. Thanks to modern and advanced systems, it took just a few years to start building medium tonnage vessels. During the 1950s and 1960s, development in equipment allowed the Shipyard to build ever larger constructions. In 1973 the structure was further expanded with the construction of a basin of 200 metres in length and 35 metres in width.

The purchase of the shipyard by GC Holding S.r.l. allowed employment levels to be maintained while safeguarding and relaunching a company in crisis (which in the past had played a leading role in the metalworking shipbuilding), with the opportunity to have a new shareholding structure already present on the nautical market, as it owns 100% of the shares of TYG S.p.A. (formerly Tecnomar S.p.A.), acquired in 2009.

Despite the critical phase experienced by the markets, made worse by a persistent credit restriction and the continuous financial defaults of shipowners, which flooded the market of used yachts, TISG further revised and expanded its own fleet after the acquisition of the Admiral brand in November 2011. The rapidly growing number of contracts and the increase in the size of mega yachts has led to the need to invest in a large production site with direct access to the sea.

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

The Marina di Carrara shipyard covers 53,411 square metres of operating area, of which approximately 30,000 square metres are dedicated to NCA Refit activities. The strategic position in which the refit activities are carried out, in the town of Marina di Carrara, located a short distance from famous Italian tourist and recreational destinations (and therefore a privileged stop for the yachts in this sea), together with the technical characteristics and the size of the spaces as well as the cutting-edge recreational facilities dedicated to the crews, allow the Group to be an important maritime hub in the Mediterranean. NCA Refit boasts facilities that are unique in the world: 2,500 metres of quay and 200 x 35 metres of dry dock, 11 separate production areas, 1,000 tonnes of total lifting capacity and 3,300 tonnes of upgraded and refurbished floating barge for the launch of yachts and mega yachts up to 100 metres.

Inside the building no. 7, which is the largest one, it is possible to build yachts up to 90 metres in length, while for the construction of longer ships, production takes place directly within the dry dock.

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

The Parent Company's updated corporate structure is as follows:

Shareholders	%
GC Holding S.p.A.	63%
Alychlo NV*	11%
Giorgio Armani S.p.A.	5%
Market	21%

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

On 4 November 2021. The Board of Directors of the Parent Company has approved a further investment plan, called "TISG 4.1", worth Euro **14 million** which will be developed in the period 2021-2022.

On 22 December 2021 TISG, through its wholly owned subsidiary, New Sail S.r.l., was awarded the auction called by the Court of Lucca for the bankruptcy of Perini Navi S.p.A., for a total price of Euro **80 million**. The business complex includes the industrial and real estate assets of the shipyards in Viareggio and La Spezia, the real estate assets of Pisa, a ship under construction (job order no. 2369), trademarks and patents, the shareholding (100%) in Perini Navi U.S.A. Inc. and the existing legal relationships with employees and third parties.

BUSINESS DEVELOPMENT

Over the years, TISG has strengthened its presence in international markets such as the USA, Asia, South America, Germany and France. In particular, the Group is present in Europe through its sales office located at the registered office in Marina di Carrara, in the Asian market through brokers with prestigious customer portfolios and in North America through a famous and prestigious distribution agency that works for the Group on an exclusivity basis.

In addition to the above, the Company's commercial strategy envisages the expansion of the network of brokers worldwide, the presence in all of the most important boat shows (Cannes, Montecarlo, Fort Lauderdale, Miami, Singapore), the organisation of events with brokers and customers and the possible opening of showrooms in the most prestigious offices in Italy and in the world.

An area called "**The Village**" was created within the shipyard for the well-being and entertainment of shipowners, crews, the surveillance teams of ships undergoing maintenance or construction, customers and employees, offering an elegant lounge bar, a restaurant, a gym, a cinema room and a wellness centre.

In 2021, The Italian Sea Group was ranked eighth in the Global Order Book, a certified classification of Boat International that indicates the main world builders of ships over 24 meters, and **fourth worldwide** when considering exclusively the segment of yachts **over 50 meters**, a segment in which it ranked **first in Italy**.

TISG is now permanently present in all of the strategic markets of the yachting industry, offering its products to customers located in over 20 countries around the world.

At the end of 2019, the Company launched the "**TISG 4.0**" project, a major reorganisation and upgrading of the entire Marina di Carrara shipyard, which envisages the roofing of the entire current dry dock and the construction of a new dry dock measuring 50 metres wide by 145 metres long in an area to the west of the shipyard. The project, more than 70% complete to date, will be completed by the end of August 2022.

On 4 November 2021, the Board of Directors of TISG approved a further investment plan, called “**TISG 4.1**”, worth Euro 14 million which will be developed in the 2021-2022 period. In detail, the investment involves the expansion of the shed adjacent to the original basin, in addition to a number of service structures and systems. This will make it possible to expand the simultaneity of ships under construction by 4 units, moving the construction limit of the yard from 100 to 140 meters.

In terms of expansion by external lines, in the first few months of 2022, the Group completed the acquisition of the Perini Navi S.p.A. business, as already described in this report.

PRESENCE ON FINANCIAL MARKETS

1. The TISG share

The Italian Sea Group S.p.A. share is listed on “Euronext Milan” managed by Borsa Italiana; the first day of listing was **8 June 2021**, with a placement price of **Euro 4.90**.

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

Intermonte acts as a *specialist* for the Company.

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

Alphanumeric code: TISG

Bloomberg: TISG: IM

Reuters: TISG.MI

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

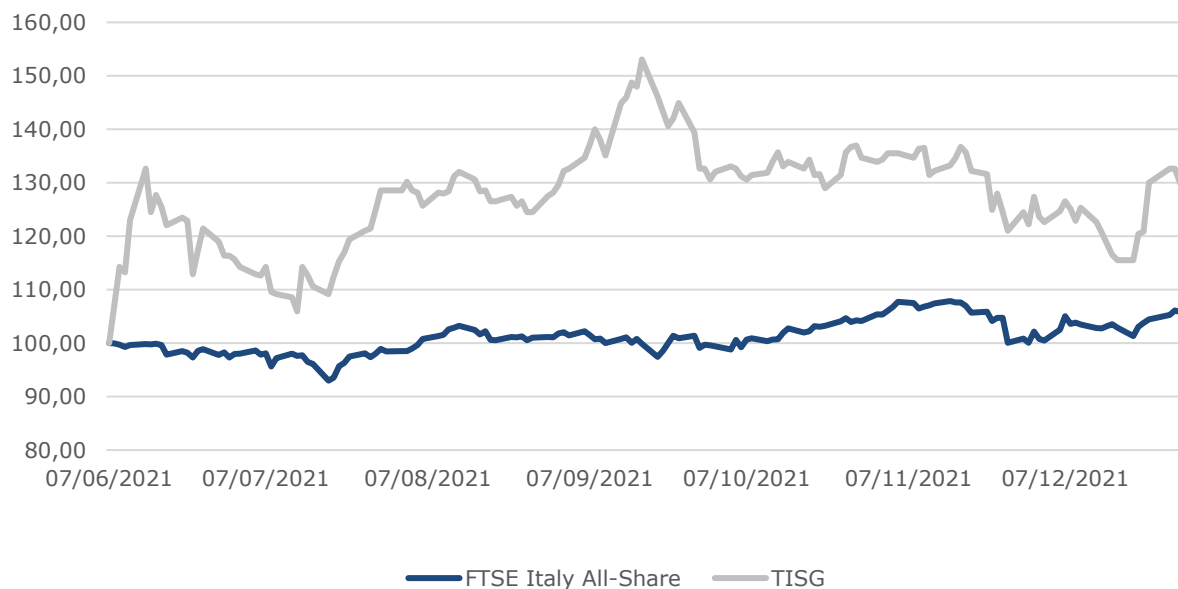
Price trend of the TISG share from 8 June to 30 December 2021



From the placement price of 8 June 2021, equal to Euro 4.9, in 2021 the TISG share recorded a growth of **34.7%**, closing the last trading session of the year at Euro 6.6. The share price

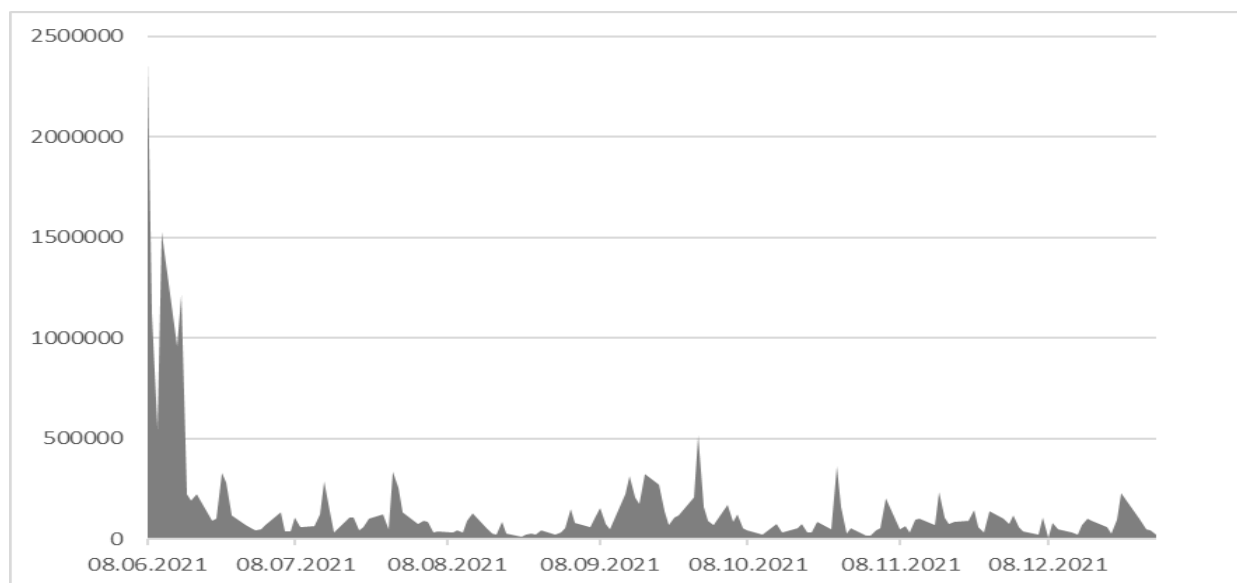
reached its all-time high, equal to Euro 7.5, on 17 September 2021, immediately after the publication of the first half results.

Price trend of the TISG share from 7 June (placement price) to 30 December 2021 compared with the trend of the Italian share market index (base 7 June 2021 = 100)



Over the course of 2021, the TISG share has largely outperformed the Italian stock market index, the FTSE Italy All-Share, which in the period between 8 June 2021 and the end of the year recorded a 3.2% increase.

Volumes of the TISG share from 8 June to 30 December 2021



In the period between 8 June and 30 December 2021, the average daily trading volumes of TISG shares stood at 147,208 pieces. Excluding the peaks of the sessions immediately following

the first day of listing, 93,771 TISG shares were traded on average daily in the second half of 2021.

2. Investor Relations and Financial Communication activities

Analyst Coverage

In 2021, the TISG share was covered by the research of the analysts of Intermonte and Berenberg, with a unanimous recommendation "BUY".

At the end of 2021, the target price was set by the two analysts at Euro 9.00 (Intermonte) and Euro 8.00 (Berenberg) respectively; also following the success of the Perini Navi acquisition, in March 2022, the target price was Euro 9.00 for Intermonte and Euro 10.00 for Berenberg, thus increasing the average consensus target price to Euro 9.50.

The Italian Sea Group plans to expand its range of coverage with the involvement of new international brokers.

Presentations and meetings with investors

During the IPO process, which lasted from February to June 2021, the Italian Sea Group met virtually over 100 institutional investors.

After the first day of listing, the Company gave two presentations in a conference call:

- on **15 September**, for the presentation of the 2021 half-year results;
- on **15 November**, for the presentation of the 2021 first nine months results.

In addition, thanks also to a growing improvement in the health emergency due to COVID-19, the Company had the opportunity to hold meetings not only virtual but also face-to-face with its investors.

In particular, from June to December 2021 the top management of TISG met **111 institutional investors** through Conferences, one-to-one meetings and site visits at the Marina di Carrara offices.

The Company participated in a series of conferences dedicated to meetings with institutional investors, in particular:

- **20 - 21 September:** MidCap Conference – Amsterdam (virtual)
- **24 - 25 September:** Excellence of the Made in Italy – Stresa (in attendance)
- **21 October:** Mid Cap Conference – Paris (in attendance)
- **18 November:** MidCap Conference – Madrid (in attendance)
- **1 December:** MidCap Conference – Geneva (virtual)
- **6 December:** Berenberg European Conference (virtual)

Online communication and website

The main activity carried out with regard to online communication was the set-up of a website dedicated to Investors, perfectly aligned with market best practices and the Company's brand identity.

The website contains all the information, infographics and news related to the company and its share, from analysts coverage to financial reporting.

Information produced by the IR Team

The Investor Relations Team of The Italian Sea Group has drawn up a monthly report containing updates on the composition of the institutional shareholding, on the analysts coverage, the performance of the share and the multiples of the TISG share.

*Financial calendar 2022***Tue, 22 Feb**

Meeting of the Board of Directors to approve the preliminary data at 31 December 2021 and the 2022 Guidance.

Thu, 24 March

Meeting of the Board of Directors to approve the draft financial statements at 31 December 2021.

Fri, 29 April

Shareholders' Meeting for the approval of the Financial Statements at 31 December 2021.

Wed, 11 May

Meeting of the Board of Directors to approve selected information indicative of business performance for the first quarter of 2022(*) (Value of production; EBITDA; Backlog; Net Financial Indebtedness) and related press release containing quarterly information.

() Information not subject to audit.*

Thur, 4 August

Meeting of the Board of Directors to approve the preliminary data at 30 June 2022.

Tue, 13 September

Meeting of the Board of Directors to approve the half-yearly financial report at 30 June 2022.

MARKET OUTLOOK

1. Shipbuilding Division

The nautical market has shown strong resilience despite the impact of the pandemic, which has not caused significant consequences especially in the large yacht segment.

According to a report by *Boat International*, the Global Order Book 2022 records more than 1,000 projects in progress on order, an increase of 24.7% compared to the previous year.

In the global rankings, The Italian Sea Group has gone from ninth to eighth shipyard in the world for the construction of yachts; the Company is also the **fourth shipyard in the world** for the construction of yachts over 50 LOA meters and is the **first Italian shipyard** for that size range.

2022 RANK	COMPANY	TOTAL LENGTH (M)	NUMBER OF PROJECTS	AVERAGE LENGTH (M)	NUMBER OF PROJECTS 2021	2021 RANK
1	Azimut - Benetti	4,601	128	35.9	100	1
2	Sanlorenzo	4,159	117	35.5	86	2
3	Ocean Alexander	1,494	47	31.8	35	4
4	Feadship*	1,469	N/A	N/A	17	3
5	Lurssen*	1,120	9	124.4	9	5
6	Overmarine	990	24	41.3	16	8
7	Damen Yachting	911	13	70.1	15	6
8	Italian Sea Group	757	12	63.1	12	9
9	Horizon	703	24	29.3	25	7
10	Baglietto	637	14	45.5	10	14
11	Heesen Yachts	634	11	57.6	11	10
12	Cantiere delle Marche	578	15	38.5	9	16
13	Viking Yachts*	573	22	26	N/A	N/A
14	Oceanco	566	5	113.2	5	11
15	Palumbo	538	12	44.8	11	13
16	Sunreef Yachts	468	18	26	N/A	N/A
17	Turquoise Yachts	419	6	69.8	5	15

* data partially shared by the shipyard

Table 1 - Source: *Boat International*, 2022 Global Order Book

It is important to note that the demand for the luxury yachting sector has not slowed down during the pandemic, but has indeed registered a strong increase; this is because the owners, both *Experienced Owners* and *first-buyers*, have begun to perceive their yacht as a happy island, where they can experience an unrestricted life with their families and loved ones in safety.

The strong increase in demand has also benefited from the increase in the global number of **Ultra High Net Worth Individuals (UHNWI)**, which represent the target clientele, particularly for large yachts.

According to Knight Frank's *2022 Wealth Report*, the number of individuals with assets of at least USD 30 million increased by 9.3% in 2021 compared to 2020.

Cumulative growth of **28%** in the global number of UHNWIs is expected in the period between 2021 and 2026.

The increase is led by North America, followed by Asia; a significant increase in the number of UHNWIs is also expected in Oceania and New Zealand, markets with ample room for growth for the company.

To be noted is also the growth in the new generations of UHNWIs, a younger age group with spending habits different from their older peers; in the case of boating, these new generations are more likely to spend more on larger yachts, even when it comes to shipowners with little experience.

This increase in UHNWI, the main target for The Italian Sea Group, represents the expansion of a resilient clientele, immune to economic shocks and located in multiple areas of the world, thus giving the opportunity to counterbalance any geopolitical crisis that could slow down demand.

Major Growing Categories

According to Boat International's *Global Order Book 2022* report, the demand for yachts over 45 meters, a segment of focus for The Italian Sea Group, is growing. In particular, this area of the market saw a 10.5% increase in demand, driven by the post-pandemic wish by shipowners to have their own personal, safe "*island on the sea*".

Another area that has experienced significant growth is the **sailing yacht** segment, which recorded its best year since 2018 in terms of orders, with **70 projects in progress** for an increase of **18.6%**.

The strong interest in the sailing market is justified by the growing importance of sustainability in the minds of shipowners – in fact, sailing yachts have a very limited level of emissions and represent an ecological alternative to motor yachts.

Yacht Builders

The number of active sites has grown by 4% from previous years, reaching **186 operational sites** with a significant increase in the simultaneity of projects.

Italy is the first country in terms of the number of projects, with 50% of the Global Order Book under construction in Italian shipyards; the country is also the first in terms of growth in the size of production. Many shipyards have also expanded their facilities to increase production capacity.

RANK	COUNTRY	TOTAL GROSS TONNAGE	NUMBER OF PROJECTS	AVERAGE GT
1	Italy	184,845	523	353
2	Germany	103,371	20	5,169
3	The Netherlands	95,552	75	1,274
4	Turkey	44,022	91	484
5	Norway	20,439	2	10,220

Table 2 - Source: Boat International, 2022 Global Order Book

In terms of size, the market has seen an increase in the number of yachts over 100 meters (27 orders in total, including two pending).

The construction of these yachts is concentrated mainly in shipyards in Northern Europe; it is important to note that The Italian Sea Group is building its first 100-metre yacht in collaboration with Winch Design, to be delivered in 2025. This testifies to the Group's entry into the market segment described above.

There was a decrease in the level of "on spec" production, i.e., production not started following an order (25.5% of the Order Book, a decrease of 39.3% compared to the previous year). This demonstrates a strong growth in the yacht-to-order market and a challenge for players who will have to face the necessary investments in production capacity and skilled workforce, difficult to find in such a niche market segment.

Only a selected number of shipyards specialise in the business of *custom* yachts, customised to meet every request of the most demanding customers.

2. Refit

The **refit market** benefits from the increased demand in shipbuilding; in fact, the increase in the global fleet implies an increase in the number of ordinary and extraordinary yacht maintenance activities.

The increase in refit activities is also driven by the ageing of the fleet. According to a 2020 *SuperYacht Times report*, nearly half of the yachts at sea over 30 meters are older than 15 years; in the next few years, around 60% of the fleet will be over 15 years old on average, and all of these yachts will require more maintenance and refit activities.

In terms of location, most of the active refit sites are concentrated in Italy, with 35 facilities in 2020. Italy is also the top country in terms of **size** of refit yachts, and has hosted around 100 superyacht over 60 meters refits in 2020.

Due to the impact of restrictions related to COVID-19, the refit market suffered a brief contraction in 2020; however, the future presents extremely positive opportunities due to a gradual relaxation of restrictions and the amount of refit activities accumulated over the period of the pandemic.

For this reason, many shipyards, including The Italian Sea Group with the NCA Refit division, are preparing for an increase in demand and are actively working on the expansion of their facilities for an increase in production spaces.

INVESTMENTS

During 2021, the Group was able to fully benefit from the first phase of investments, started in 2015, for the construction of a specific area, within the shipyard, to carry out the refitting activities and increase the range of services and facilities for TISG customers. The investments concerned the renovation of the plants in the area dedicated to the NCA Refit Division, with a total size of more than 53,411 square meters, the adaptation of electrical systems, mobile towers, floating docks and mooring docks.

For the vast majority of yachts, the shipyard is chosen by the captain of the ship, who assesses the most suitable structure to accommodate the yacht and the crew. The development and construction of the planned reception area will make NCA Refit a unique site in the world for facilities and services to the crews.

As regards the above, a new area was created, the Village within the area dedicated to the NCA Refit Division in the Marina di Carrara shipyard and intended for the entertainment and leisure of captains and crews. The first inauguration of the work was held in April 2019; all works and facilities were completed at the end of 2019, including the fitness area, wellness centre, bar, restaurant with entertainment area, also in the evening, for TISG employees and customers.

The Village is spread over two floors. On the ground floor there is a large lounge area that includes a gourmet restaurant, a bar and a relaxation area. On the second floor of the dedicated structure there is an exclusive wellness centre and a gym. The state-of-the-art facilities are also accompanied by a concierge service dedicated to satisfying all the wishes of captains, crews and guests.

Thanks to the dedicated staff, it is possible to organize and book all kinds of outdoor activities, visits to museums and neighbouring art galleries, trips to the main places of tourist interest and it is also possible to request personalized solutions regarding the search for accommodation and the rental of means of transport.

Moreover, the direct relationship that will be established with captains and crews will be able to give a fundamental impetus to the development of commercial connections for the sale of new yachts, without having to resort to the intermediation of international brokers.

Operating in a discontinuous manner with respect to the trend of the nautical sector, the Group has made important investments to insource, at least partially, some of the higher value-added phases of the production chain. This is evidenced by the continuous investments and upgrades of:

STEEL WORKSHOP - The workshop covers an area of 1,000 square meters located within the shipyard and employs 30 specialists. All the steel finishes installed on the yachts in production are carried out in the steel laboratory.

UPHOLSTERY FITTING - division with 8 employees. In general, all the leather and fabric upholstery and all the upholstery details, from the decorations to the draperies to the cushions and external protections, are processed.

In order to facilitate synergies with shipowners, brokers and surveyors of its own shipowners, the Group has made continuous investments and upgrades of the offices for the shipowner teams. New offices were in fact created for the technicians, supervisors and consultants of the owners of the yachts in production. Starting from the assumption that the contracts in progress have a multi-year duration, TISG provides the customer's personnel with modern offices, equipped with Internet connection, desks, shelves and meeting rooms to be able to organize meetings and video conferences.

Further major investments were planned and started in 2019 to expand the production area in order to be able to further develop the business of NCA Refit and the Shipbuilding division and in particular:

TISG 4.0 PROJECT: investment launched at the end of 2019 will concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. The plan includes:

- the construction of the coverage of the entire current dry dock, which will be completed in the first six months of 2022;
- the construction, in an area located in the western part of the shipyard, of a new dry dock 50 meters wide by 145 meters long, which will allow the work simultaneously on a maximum of 6 yachts up to 60 meters in size, opened in November 2021;
- the construction of a **new shed to replace the old building no. 3**, 126 meters long by 24 meters high and 26 meters wide, opened in March 2021.

These projects will enable the Group to increase production capacity and increase the size of the yachts that can be built within the yard.

TISG 4.1 PROJECT: investment launched at the end of 2021 will concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. The plan provides for the expansion of the **previously identified warehouse building no. 4**, located near the original basin, as well as numerous structures and systems serving the construction site, completion of which will take place at the latest in the first months of 2023.

These activities will allow the Group to expand the simultaneity of the ships under construction by four units. The project will develop as follows:

- Demolition of a metal shed 86x25 meters approximately, within the current concession, used as a warehouse to support naval refit activities;
- Extension of the roofing shed of the existing construction basin (shed called 5) through the construction of a new shed with a prefabricated reinforced concrete structure with a width of 37.70 meters with a span and a length of 174 meters and a height of 25.00 meters ground level used for the construction and fitting out of large pleasure boats up to 90 meters in length;
- Construction of an extension with a removable structure of the eastern quay to allow the transit of vehicles on its edge;
- Construction of one-storey above ground box with a metal structure adjacent to sheds 5 and 6 instead of the planned 4-storey structure above ground which would have been 155.20 meters long and 6.00 meters wide and 16.00 meters high.

SINKABLE BASIN: extraordinary maintenance of the sinkable basin owned by TISG that will allow the launch and hauling of yachts up to 3,300 tonnes with total autonomy for all the various yachts up to 80 meters in length.

RESEARCH AND DEVELOPMENT ACTIVITIES

The internal research and development department plays a crucial role for the shipbuilding industry as it is the place where the ideas already in the offer phase are born and developed. It is common in the nautical sector to collaborate with external design firms, especially in the initial phase. In any case, the Group's research and development department works closely with the sales department in order to process customer feedback and translate customer ideas into new and innovative projects.

The research and development department is divided into 2 areas:

- Design: formed by a team responsible for the design of the yachts, which collaborates closely with the Research and Development Director and the customer in order to develop the overall design of the yacht;
- Basic design: formed by naval architects and engineers, who translate the project proposal into a feasible technical project.

The research and development department also ensures that the yachts are always equipped with cutting-edge technologies and in line with the various naval and environmental standards. The Group is already working on a new generation of yachts with combined diesel-electric propulsion: the developed battery system and the perception of true silence are in fact highly appreciated by customers, also in consideration of the fact that this technology also allows access to waters with particular restrictions due to environmental reasons.

The level of digitalisation and the technological capabilities of the TISG research and development department - such as the availability of 3D printers, computer software, lasers and machines for cutting stainless steel - allow the Group to continuously experiment with new ideas and implement the technological innovation developed in other sectors, adapting them from time to time to create tailor-made solutions and an improved offer.

The Group's objective is to satisfy even the most demanding requests of its customers, while respecting the pre-set delivery terms. The projects follow a high degree of versatility and flexibility, offering made-to-measure yachts with highly customized components and with the right for the customer-owner to make changes to the project even during construction.

The research and development department has grown significantly in recent years and has contributed to numerous innovations.

ACKNOWLEDGMENTS

During year 2021, the yachts built by TISG received numerous awards, of which the most important are:

- Admiral M/Y Geco was awarded as the best motor yacht over 40 meters for the "International Yacht & Aviation Awards" promoted by Design et Al. The ceremony was held at the Hotel Cipriani in Venice and marks another step towards the Group's commitment to achieving ever higher standards in the luxury yachting sector;
- Admiral M/Y Geco received recognition from RINA as the quietest superyacht in the Comfort class, achieving the maximum score for the absence of noise and vibrations on board. This important recognition represents for The Italian Sea Group a further confirmation of the ever higher quality standards of its latest motor-yachts.

The quality of the products and services offered by TISG is also evidenced by the presence of a very low average number of Remarks recorded during 2021 in terms of delivery, confirming the decreasing trend over the years, and a lower average resolution time, also decreasing over time.

"Circular" Sustainability

The Group adopts a broad and transversal approach to sustainability that embraces every area of the company, from attention to the use of sustainable materials to cultural and financial support for small local businesses and the nautical supply chain in the area.

1. Environment

TISG's attention to the environment starts from the innovations made to the production sites. The Group has recently launched a project to improve the energy efficiency of its facilities, through the installation of photovoltaic systems on all the sheds of the construction site on an area of 22,000 square meters on which 5,375 panels will be installed for a total production capacity of 2,571 MWh/year, equal to 25% of the total energy consumption of the facilities.

The project, in collaboration with EDP Energia Italia, also includes the installation of 22kW electric columns that will power the recharging of **6 parking spaces**, with the aim of converting, in the short term, the entire company fleet with hybrid or electric motor vehicles. In addition, the Group is working to reduce the consumption of plastic and promote the use of recycled paper within all production sites.

The Italian Sea Group uses an advanced waste management system consisting of a dedicated ecological oasis, with individual disposal islands catalogued by material and strict internal controls during the storage phase carried out by the Quality Department.

TISG also applies its sustainable culture to product design and engineering, from the use of recyclable materials to efforts to reduce emissions from yachts at sea.

For the construction of the hulls and superstructures of its yachts, the Group in fact uses **steel and aluminium**, 100% recyclable and more sustainable materials than fiberglass, commonly used in the construction of fast superyachts. For ship interiors, the Group is also researching alternative materials such as **synthetic teak**.

The most energetic innovation effort is directed towards reducing yacht emissions and towards hybrid, electric or hydrogen production systems.

Already in the past, TISG has proven to be a leader in the field when it delivered M/Y 55-meter Quinta Essentia in 2016, the world's largest hybrid yacht in the reporting year.

The yacht is equipped with an advanced hybrid propulsion system, which integrates two traditional engines of 1,400 hp each with two electric motors of 150 kW each, connected to variable speed generators.

Currently, the Group has 4 large yachts under construction with diesel-electric propulsion and, together with the competent bodies and leading companies in the sector, is carrying out in-depth studies related to the development of innovative technologies and alternative propulsion such as hydrogen.

The consolidation in the sailing segment represents a further opportunity for sustainable growth for the Group in terms of reducing emissions, through the implementation of **battery packs** that allow the ship an autonomy of approximately 8 hours in "*total green*".

2. Employee well-being and workplace safety

The luxury positioning of The Italian Sea Group is also reflected in the attention to detail present in every area of its innovative facilities, which transform the shipyard into a real "*nautical boutique*" for the comfort of shipowners, guests, crews and above all, employees.

The inauguration of the *Village* in 2019 in the Marina di Carrara shipyard represents the emblem of this commitment to the well-being of employees, as it is an area for entertainment and leisure that includes a Gourmet Restaurant, a Lounge Bar, an extremely well-equipped Gym with dedicated Personal Training service, a SPA and a Beauty Centre.

The structure also offers the possibility of organising internal events for the entertainment of employees and crews.

The company's interest is also focused on the physical well-being of its employees and on the safety in the workplace: two years after the start of the COVID-19 pandemic, The Italian Sea Group identified a very small number of infections, thanks to investments for the purchase of personal protective equipment, disinfectant gel dispensers and systems for the sanitation of environments and air purification.

TISG is required to comply with laws and regulations (for example, Legislative Decree no. 231 of 2001 and Legislative Decree no. 81 of 2008) aimed at preventing accidents at work and has adopted policies and procedures to comply with them.

In particular, the Group has opened, for each of its employees of all ranks, a life and serious accident insurance, both at work and in everyday life. In the event of death, an employee receives an amount of 5 times his/her gross yearly salary and in the event of a serious accident 6 times his/her gross yearly salary

3. Training and growth of the workforce

The Italian Sea Group pays particular attention to the development of internal *know-how* and to the consolidation of the corporate culture within each department of the company.

To achieve this goal, in 2021 the Group inaugurated the TISG Academy project in collaboration with the Universities of Trieste and Genoa and La Spezia.

The project consists of a number of refresher courses dedicated to the staff of the technical departments, held by University professors; at the same time, the Top Management of TISG holds lessons for graduating students.

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

Furthermore, on a six-monthly basis, The Italian Sea Group organises **corporate coaching** and **team building** courses for employees, with the aim of improving their approach not only in the working context but also in the private one, providing **360° training**.

4. Support to the production chain

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

Starting from the active participation in the Nautical Commission of Confindustria Toscana, up to the organisation of periodic meetings with suppliers for technical discussions and updates, The Italian Sea Group is able to be present in the decisions about the development of the territory and to assist all the entities involved in the local nautical sector.

In 2021, the Group has also entered into an agreement with **UniCredit Factoring**, making a ceiling of **Euro 5 million** available to TISG's suppliers, giving them the opportunity to finance their working capital through simple and immediate access to liquidity.

In detail, TISG has chosen a service specifically dedicated to the support and financing of companies in the supply chain: supply chain finance using U-FACTOR Reverse Factoring.

This is a service that allows the supplier to enter into a contract with UniCredit Factoring and directly transfer its invoices to The Italian Sea Group. On the due date of these invoices or in advance, if requested, the supplier receives the payment, while TISG reimburses UniCredit Factoring, which in turn offers the option of extending the payment terms.

5. Support to the territory

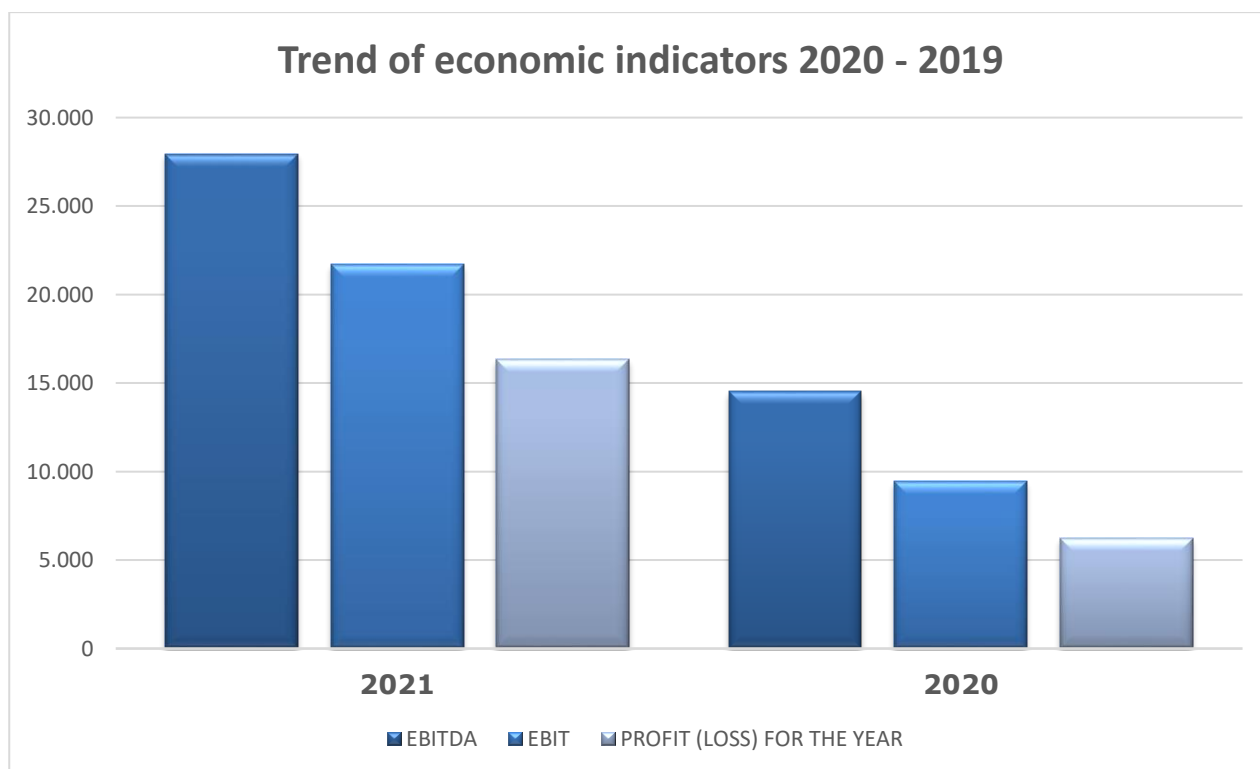
The Group organises and takes part in numerous initiatives to support the territory through the creation of jobs, the sponsorship of infrastructures and services in support of the local community.

Among the various contributions made in support of the territory, the following are worth mentioning: (i) TISG's sponsorship of the creation of an ice skating rink in Piazza Menconi in Marina di Carrara in January 2021; (ii) the distribution, in June 2021, of Euro 20,000 in shopping vouchers to be given to Massa Carrara families affected by the economic crisis due to the pandemic.

As already mentioned previously, The Italian Sea Group collaborates with the local universities for the training of the future workforce and, through the crews for the Refit activities, contributes effectively to the economy and to the commercial fabric located in the immediate vicinity of the Group.

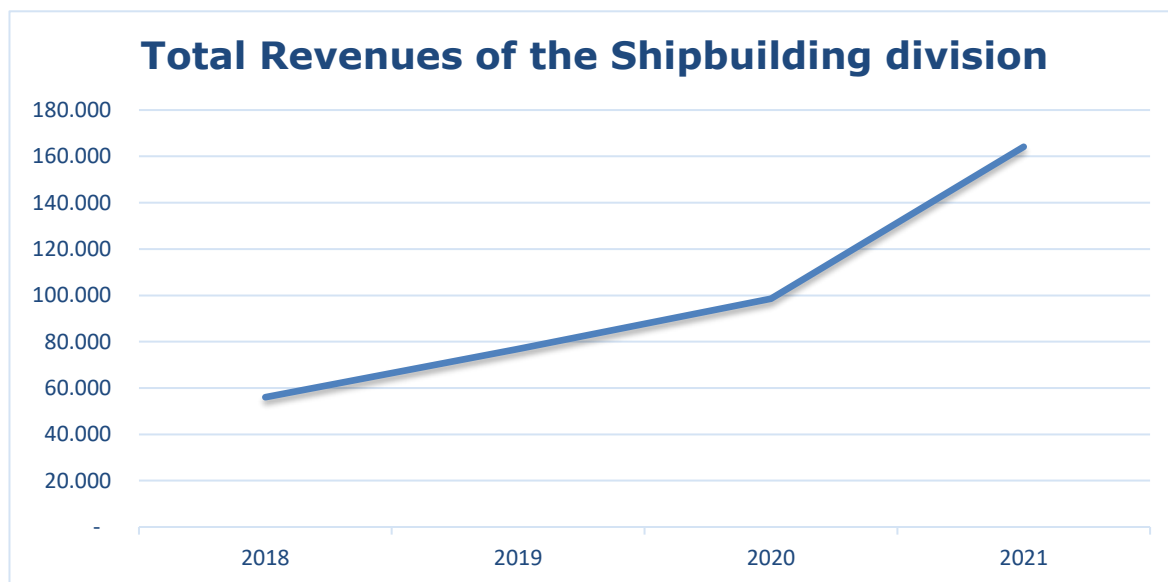
RECLASSIFIED CONSOLIDATED INCOME STATEMENT:

thousands of Euro	31/12/2021	31/12/2020
Operating revenues	186,054	112,951
Other revenues and income	4,226	5,343
Commissions	(4,724)	(1,853)
Total revenues	185,556	116,441
Costs for raw materials	(46,684)	(26,423)
Cost for outsourced work	(71,278)	(44,703)
Technical services and consultancy	(4,323)	(5,370)
Other costs for services	(10,695)	(7,037)
Personnel costs	(22,117)	(16,881)
Other operating costs	(2,505)	(1,507)
EBITDA	27,954	14,520
<i>Percentage of total revenues</i>	<i>15.1%</i>	<i>12.5%</i>
Amortisation, depreciation, write-downs and capital losses	(6,233)	(5,090)
EBIT	21,721	9,430
<i>Percentage of total revenues</i>	<i>11.7%</i>	<i>8.1%</i>
Net financial charges	(3,087)	(1,963)
Income from extraordinary charges	(481)	343
EBT	18,153	7,810
Taxes for the period	(1,831)	(1,575)
PROFIT FOR THE YEAR	16,322	6,235
<i>Percentage of total revenues</i>	<i>8.8%</i>	<i>5.4%</i>

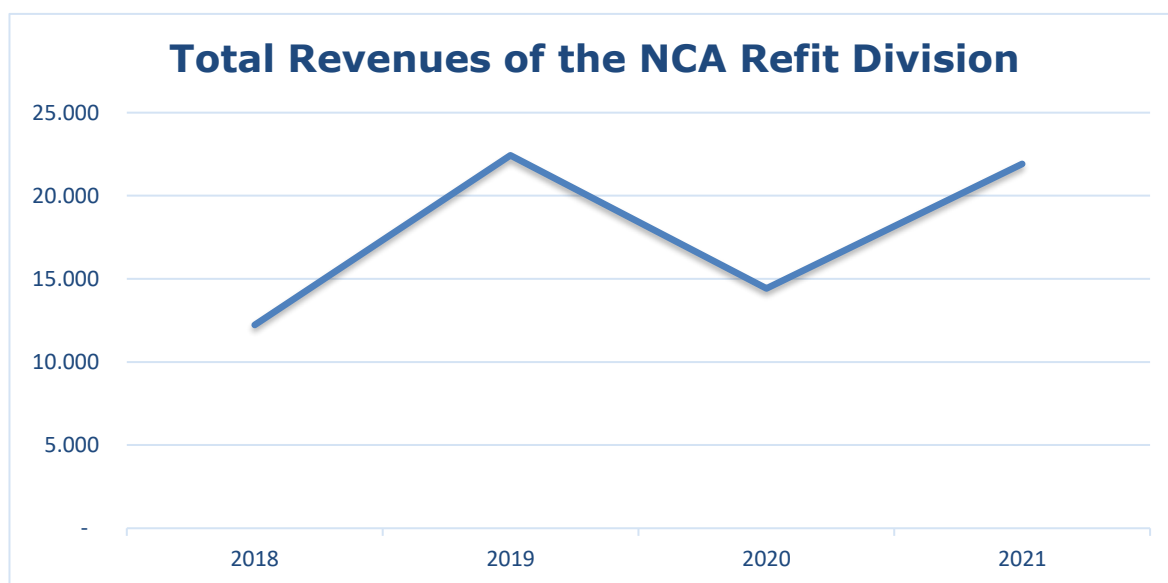


The item operating REVENUES, amounting to Euro 186,054 thousand at 31 December 2021, comprises the following:

- Production and sale of yachts - *Shipbuilding* Euro 164,143 thousand, an increase compared to Euro 98,518 thousand in 2020;

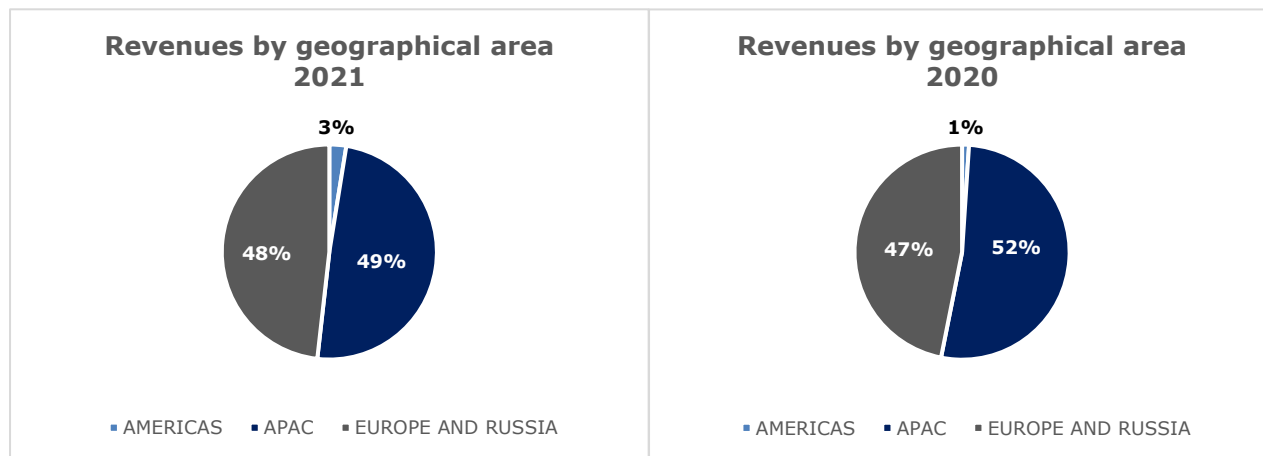


- *Refit* activity for Euro 21,912 thousand, an increase compared to Euro 14,433 thousand in 2020.

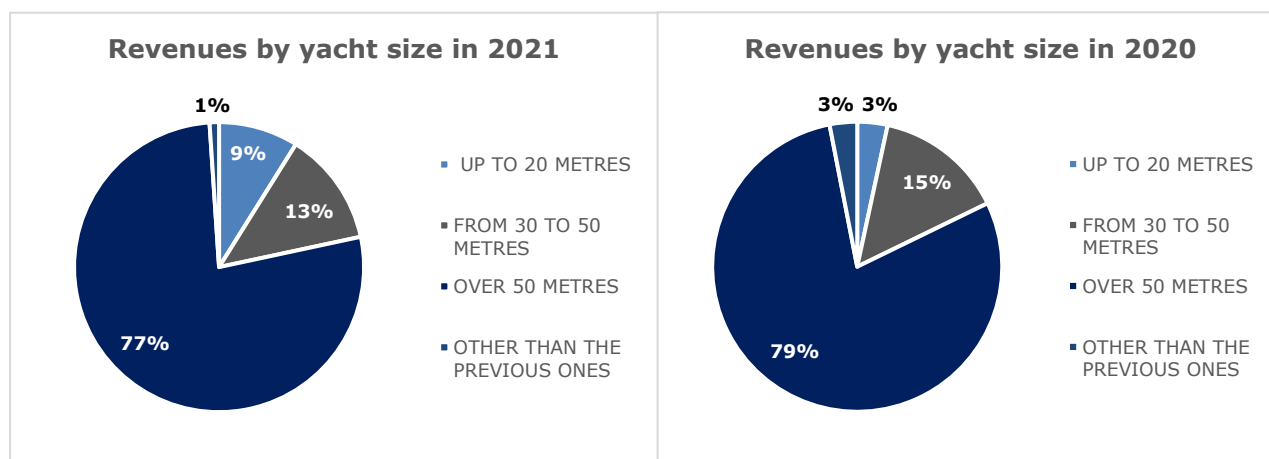


The breakdown of **Shipbuilding** revenues is as follows:

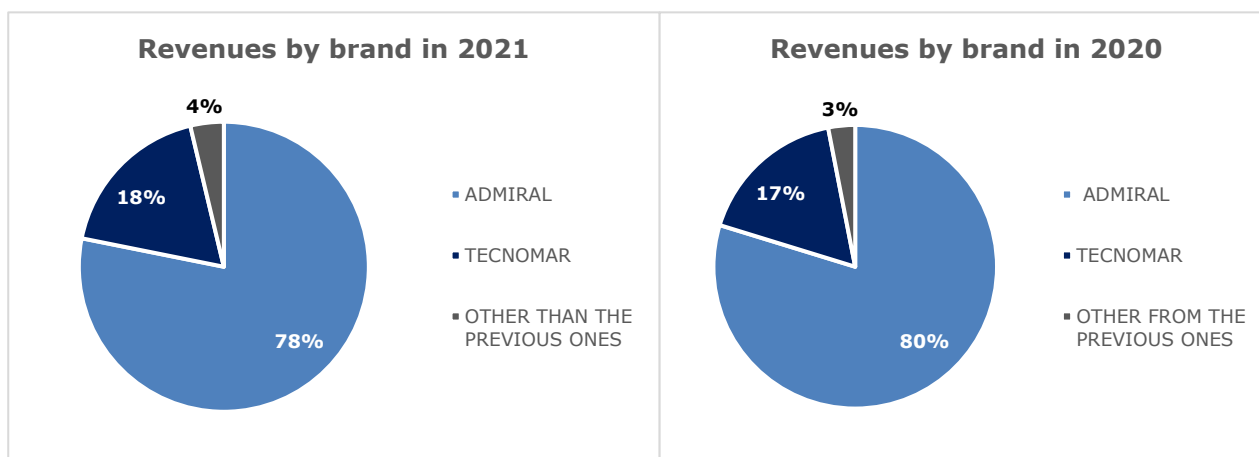
Breakdown by geographical area:



Breakdown by yacht size:

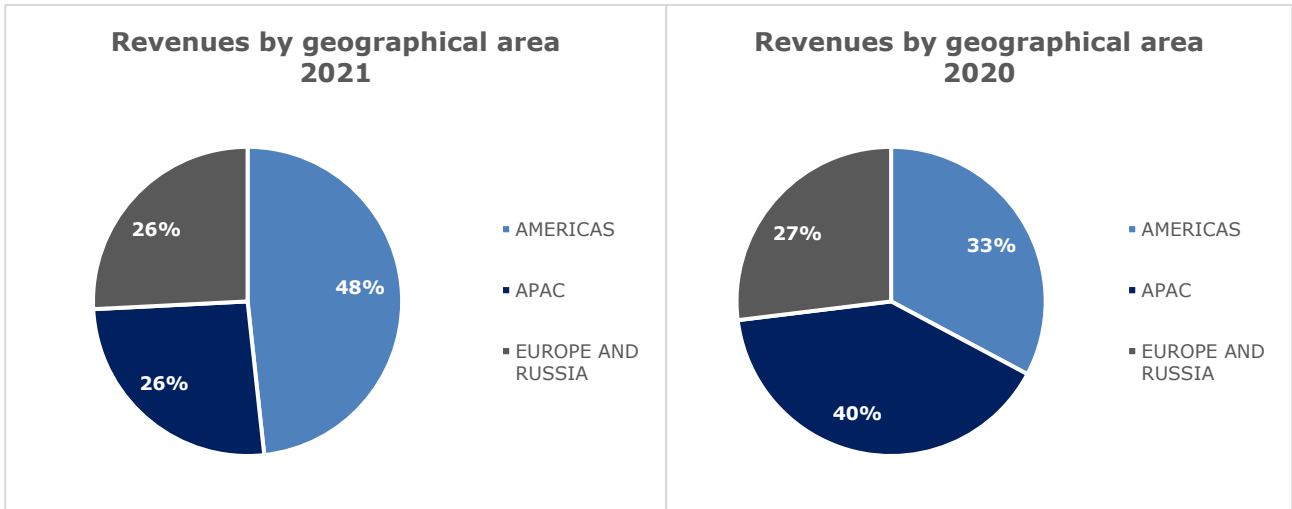


Breakdown by brand:

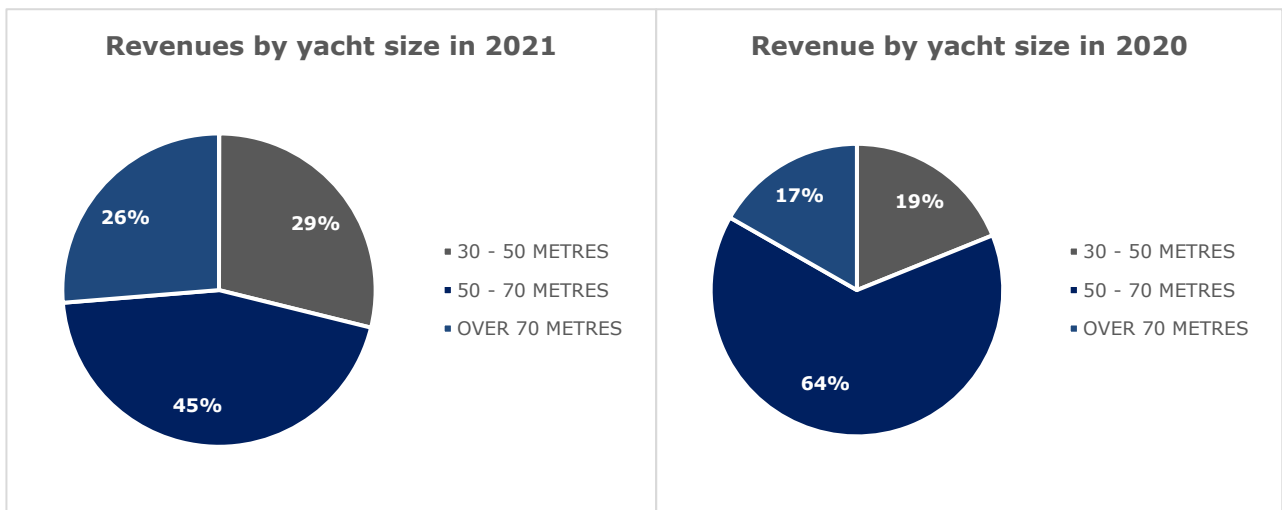


Details of **Refit** revenues are provided below:

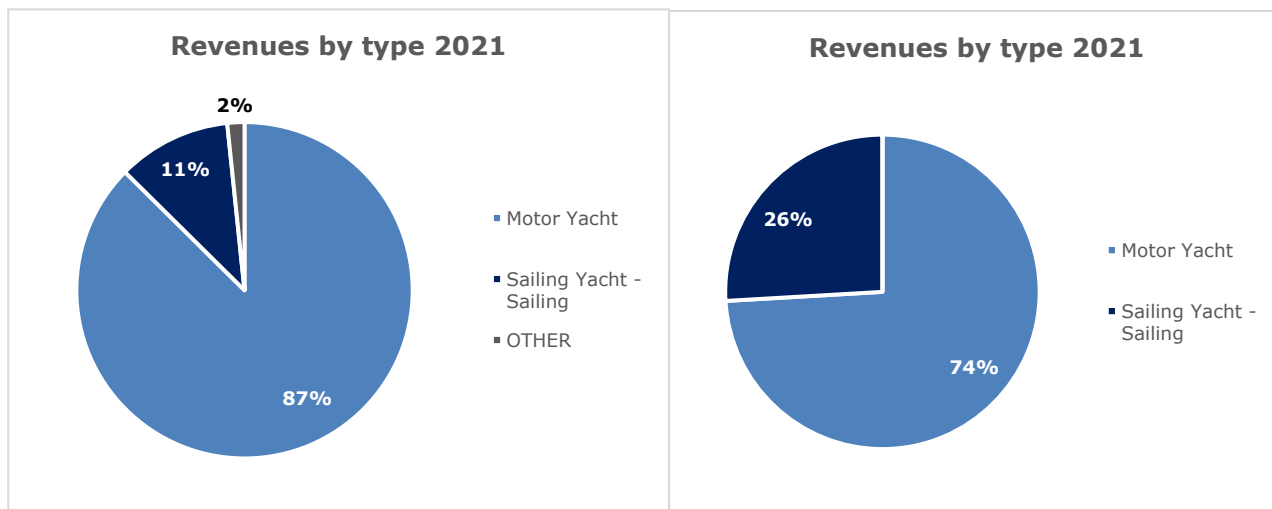
Breakdown by geographical area:



Breakdown by yacht size:

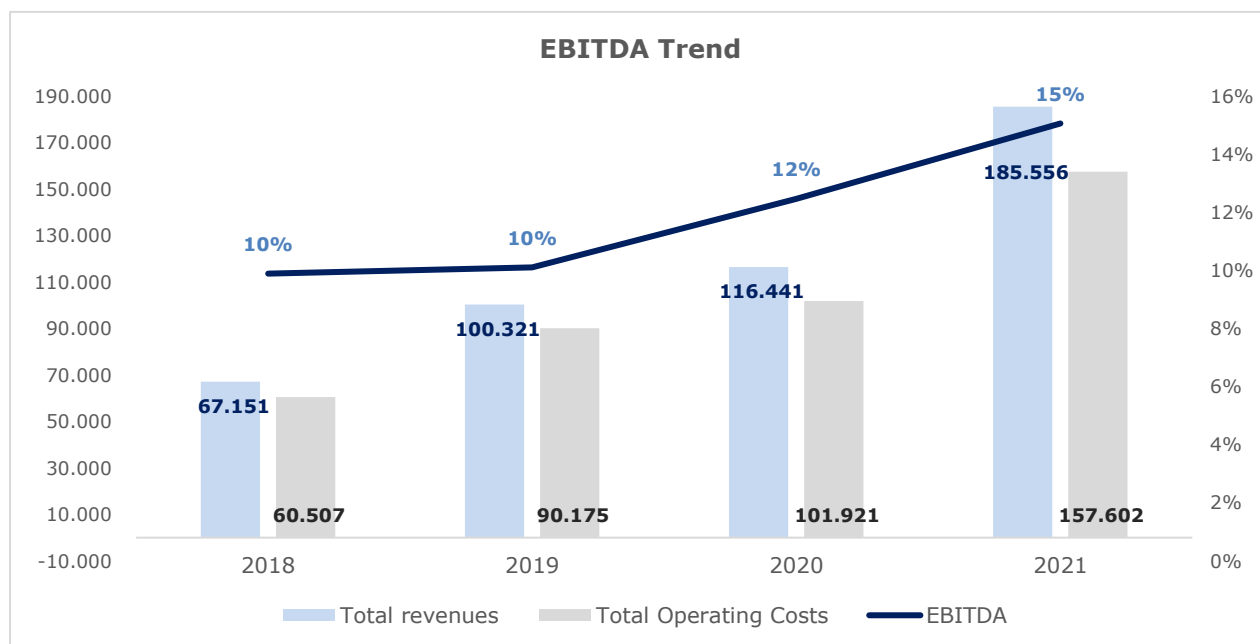


Breakdown by type:



EBITDA at 31 December 2021 was Euro 27,954 thousand, an increase of approximately Euro 13,434 thousand compared to 2020, representing 15% of total revenue, up by approximately 3 percentage points compared to the first half of the previous year. The increase in operating margins is the result of various strategic interventions made by management in order to:

- increase the margin of its products through a positioning of excellence in the market, in particular by executing commercial partnership agreements with other brands operating in the luxury sector;
- make operating costs more efficient with strategic investments to improve the shipyard's production capacity;
- invest in human capital in order to develop in-house expertise specialised in the most value-added phases of the nautical supply chain.

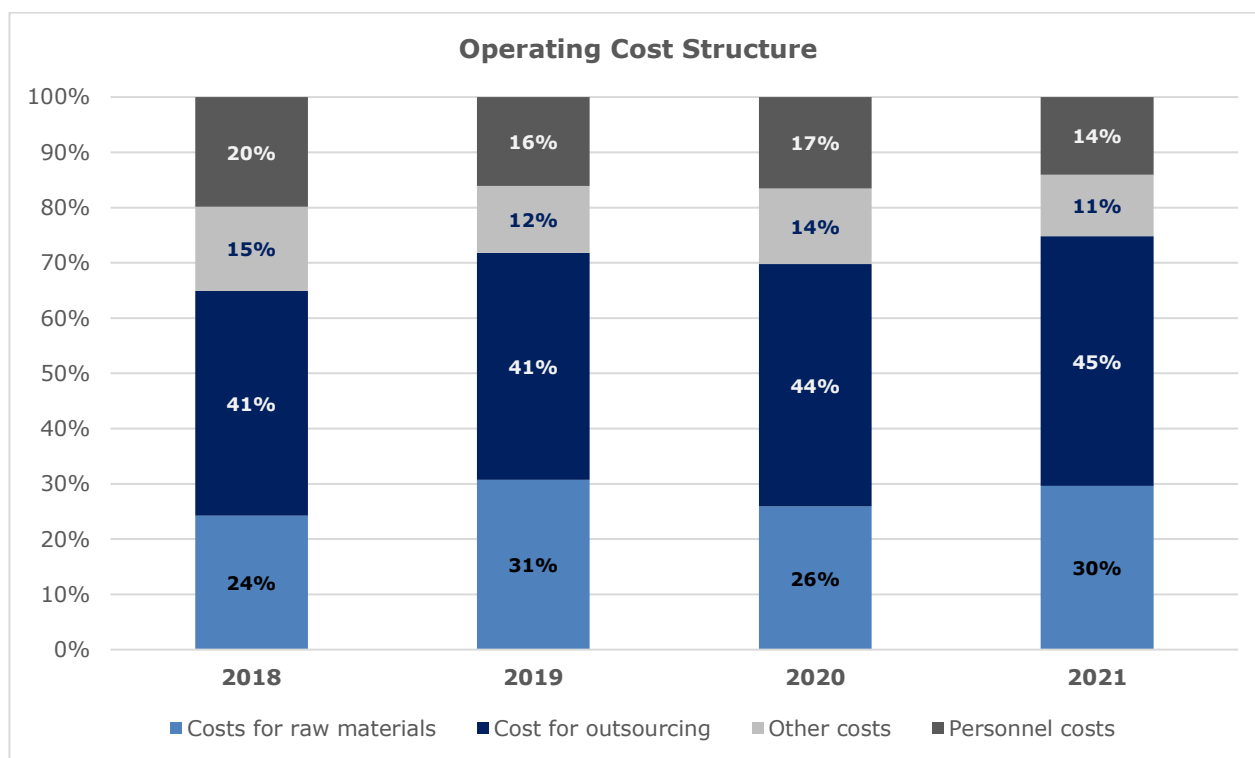


EBITDA corresponds to the net result adjusted by financial management, taxes, amortisation of fixed assets, provisions and write-downs of receivables and inventories, as well as non-recurring components. The EBITDA thus defined represents the indicator used by the Group to monitor and assess its operating performance; since it is not defined as an accounting measure within the scope of International Accounting Standards, it should not be considered an alternative measure for assessing the performance of operating results. Since the composition of EBITDA is not defined by the reference accounting standards, the calculation criterion applied by the Group may not be the same as the one adopted by other entities and therefore may not be comparable.

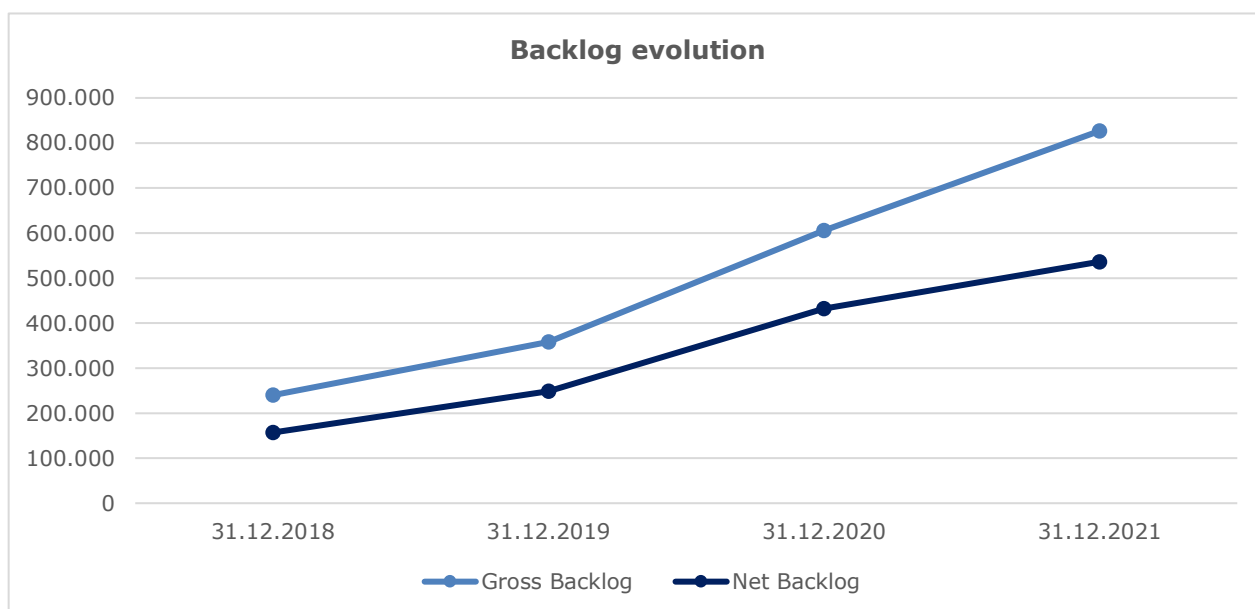
EBIT at 31 December 2021 amounted to Euro 21,721 thousand, an increase of Euro 12,291 thousand compared to 2020 and with an 11.7% incidence on total revenues, against depreciation, amortisation, write-downs, provisions and capital losses amounting to Euro (6,233) thousand at 31 December 2021.

Despite the signing of contracts for the construction and sale of new yachts, the increase in operating and personnel costs was less than in the previous financial year 2020, thanks to a multi-year process of adjusting the organisational structure to handle the increased demand from TISG's customers.

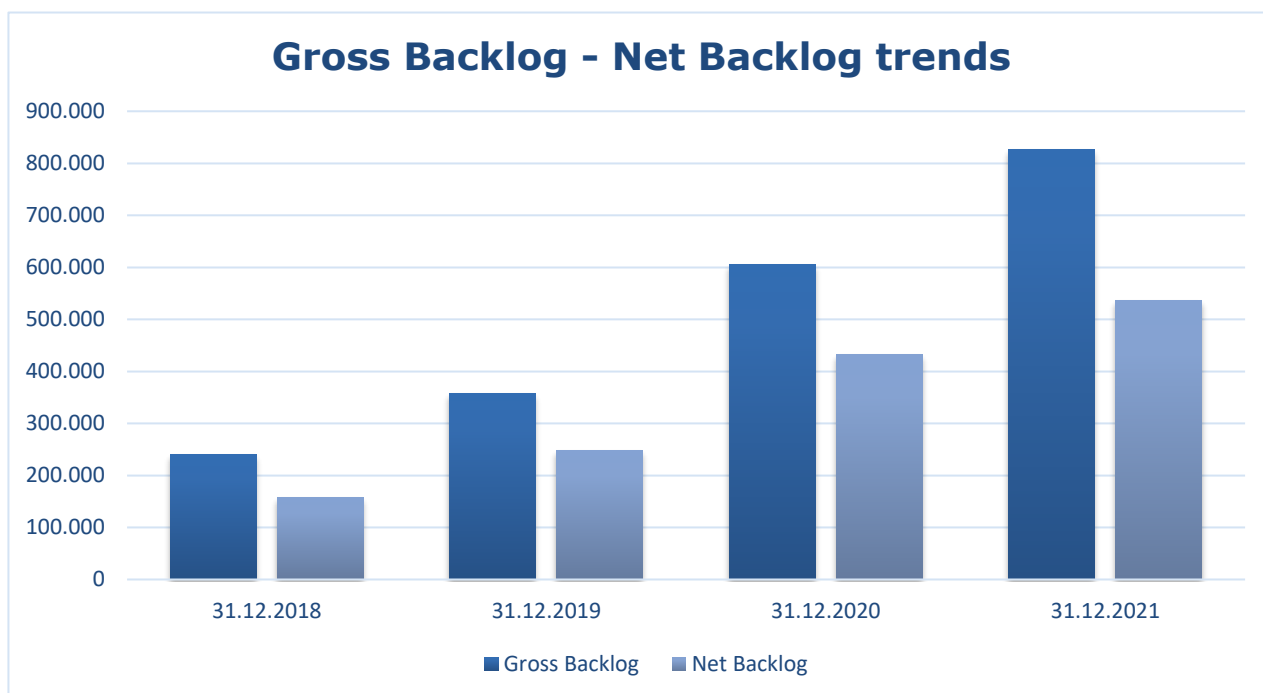
Operating Cost Structure:



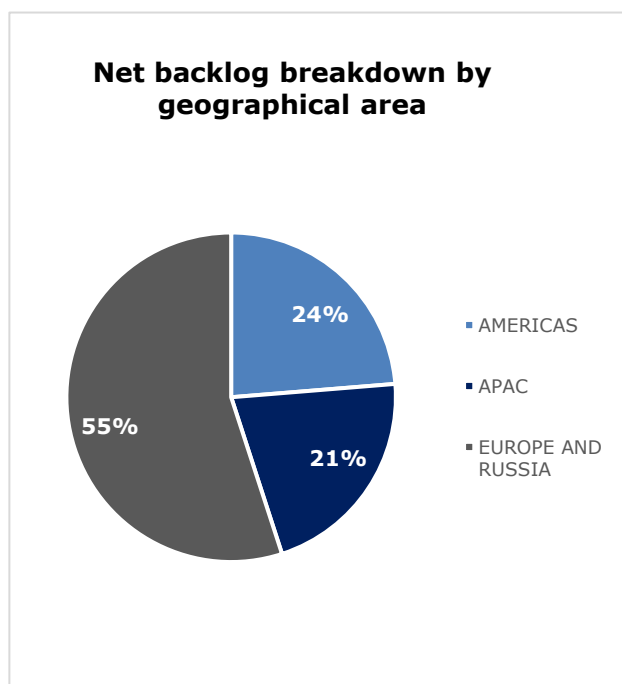
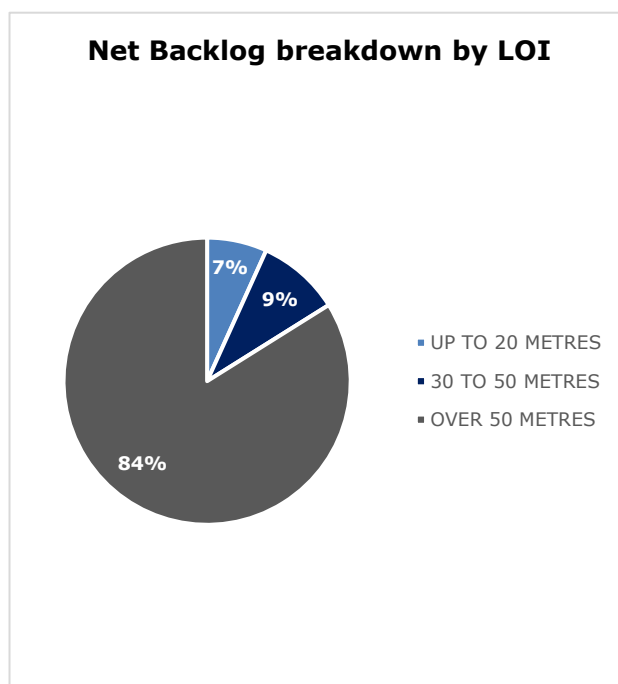
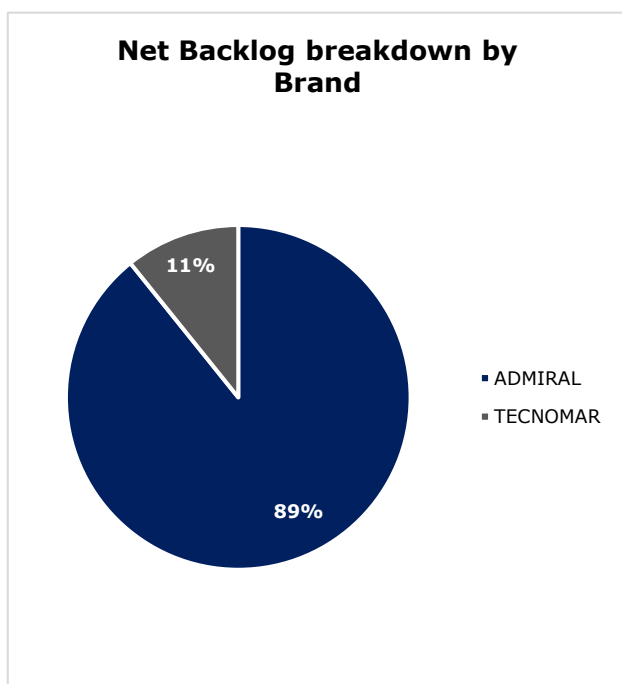
The development of TISG's business is linked to the size of its Order Portfolio and consequently of its net backlog at the closing date of the last three years as represented below:



<i>in thousands of Euro</i>	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Gross Backlog Shipbuilding	807,726	597,247	339,003	230,714
Gross Backlog Refit	18,948	8,204	18,922	9,226
Total Gross Backlog	826,673	605,451	357,925	239,940
Net Backlog Shipbuilding	526,639	428,892	242,410	150,386
Net Backlog Refit	9,617	3,354	6,053	6,609
Total Net Backlog	536,256	432,246	248,463	156,995



Further details are provided regarding the composition of the Net backlog of the shipbuilding sector, which covers more than 98% of the total Net backlog of TISG at 31 December 2021:



CONSOLIDATED RECLASSIFIED FINANCIAL POSITION

Description (thousands of Euro)	31.12.2021	31.12.2020
ASSETS		
Intangible assets	4,418	4,377
Property, plant and equipment	75,233	53,543
Equity investments	43	43
Net deferred tax assets and liabilities	(1,178)	(1,840)
Other non-current assets and liabilities	4,589	2,504
Provisions for non-current risks and charges	(3,066)	(2,639)
Provision for employee benefits	(760)	(817)
Net fixed capital	79,279	55,171
Inventories and payments on account	1,250	2,759
Contract work in progress and advances from customers	24,992	13,704
Trade receivables	10,236	14,616
Trade payables	(57,146)	(34,240)
Other current assets and liabilities	(6,746)	(3,526)
Net working capital	(27,414)	(6,687)
Total ASSETS - NIC	51,865	48,484
LIABILITIES		
Share capital	(26,500)	(21,750)
Share premium reserve	(45,431)	(12,000)
Reserves and other retained earnings	(4,635)	(235)
Profit (loss) for the period	(16,322)	(6,235)
Shareholders' Equity	(92,888)	(40,220)
Net financial indebtedness	41,023	(8,264)
Total LIABILITIES	(51,865)	(48,484)

Net fixed capital at 31 December 2021 was up compared to the previous year, mainly due to the increase in the Group's investments. In this regard, to be noted is the completion of more than half of the works for the implementation of a major reorganisation and upgrading of the entire Marina di Carrara site, called the **TISG 4.0** project, and the start of a further investment plan called **TISG 4.1**.

Net working capital declined due to the increase in trade payables as regards the increase in the number of yachts under construction. The increase is, however, mitigated by an increase in activities for orders in progress.

Shareholders' equity: The increase in shareholders' equity, as described in more detail in the Notes to the financial statements, is mainly due to the IPO transaction that the Parent Company has undertaken in 2021. In fact, the transaction has increased the share capital of Euro 4.5 million as well as an increase in the share premium reserve of approximately Euro 34 million.

CONSOLIDATED NET FINANCIAL INDEBTEDNESS

The following table shows the Net Financial Indebtedness of the Group at 31 December 2021, which shows financial payables to banks, shareholders and other lenders, net of cash and cash equivalents:

<i>in thousands of Euro</i>	31/12/2021	31/12/2020
A. Cash	85,615	17,943
B. Cash equivalents	0	0
C. Other current financial assets	0	0
D. Liquidity (A)+(B)+(C)	85,615	17,943
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	(34)	(259)
F. Current portion of non-current financial debt	(7,574)	(2,237)
F.1 other current financial payables	(2,009)	(3,891)
G. Current financial indebtedness (E + F)	(9,616)	(6,387)
H. Net financial indebtedness (G-D)	75,998	11,556
I. Non-current bank debt (excluding the current portion of debt instruments)	(23,863)	(7,757)
J. Debt instruments	0	0
K. Trade and other non-current payables	(7,951)	(8,967)
K.1 Payables to other lenders	(3,161)	(3,095)
L. Non-current financial indebtedness (I+J+K)	(34,975)	(19,819)
M. Total financial indebtedness (H + L)	41,023	(8,263)

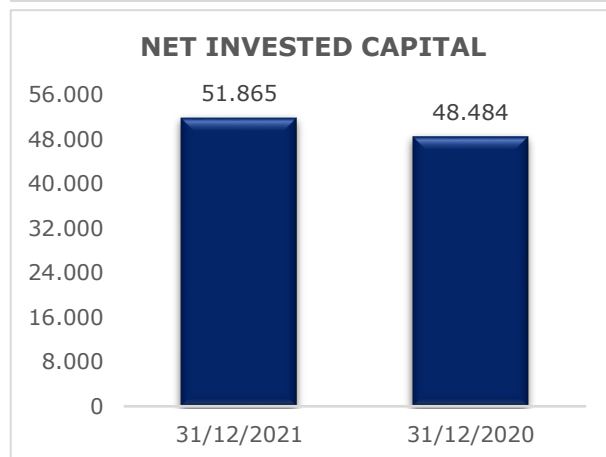
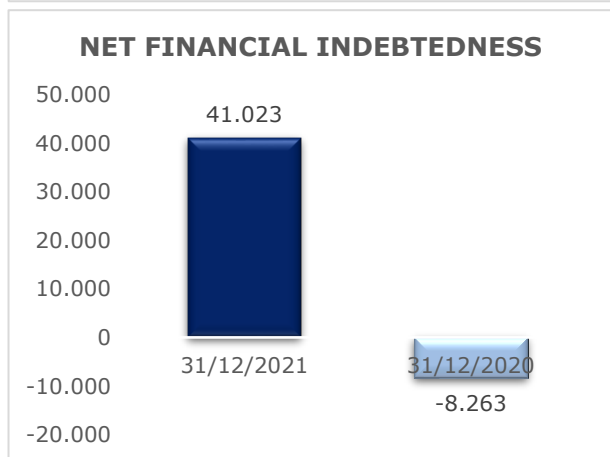
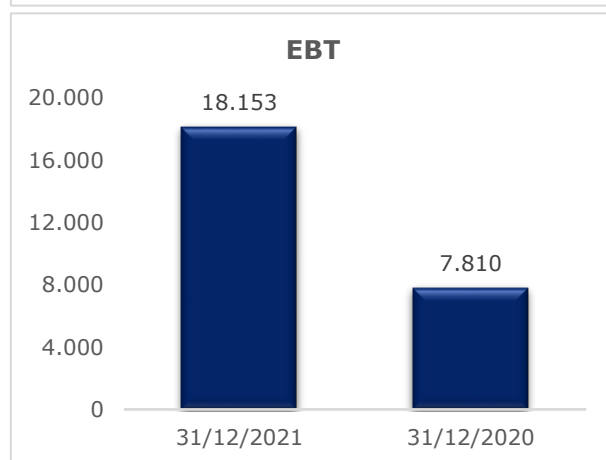
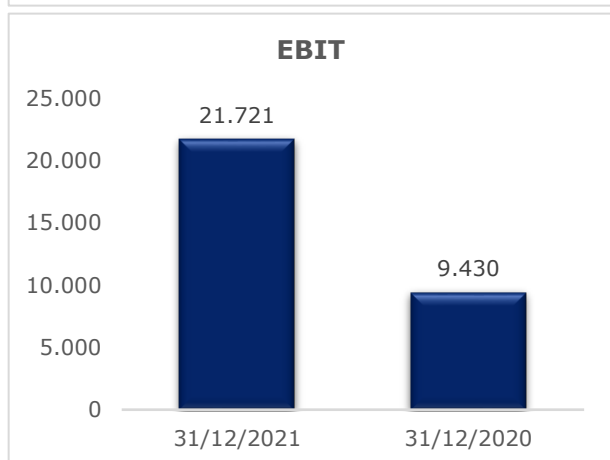
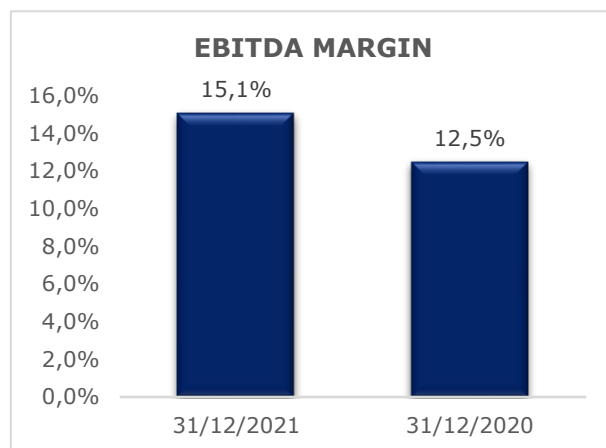
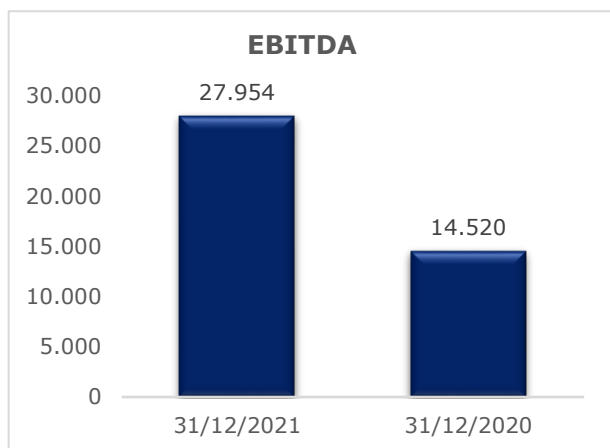
The Net Financial Indebtedness of the Group at 31 December 2021, amounting to Euro 41,023 thousand, increased by approximately **Euro 49 million** compared to 31 December 2020.

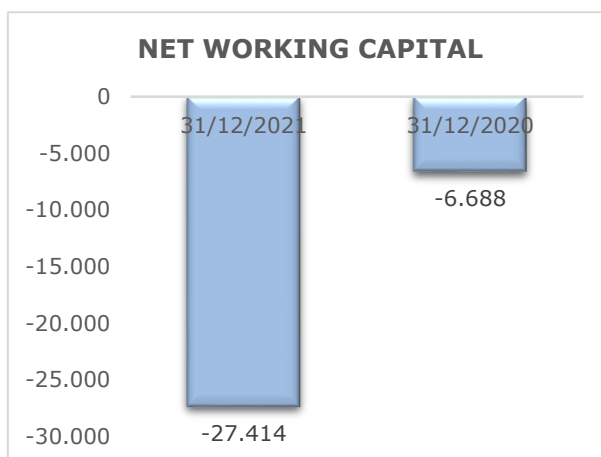
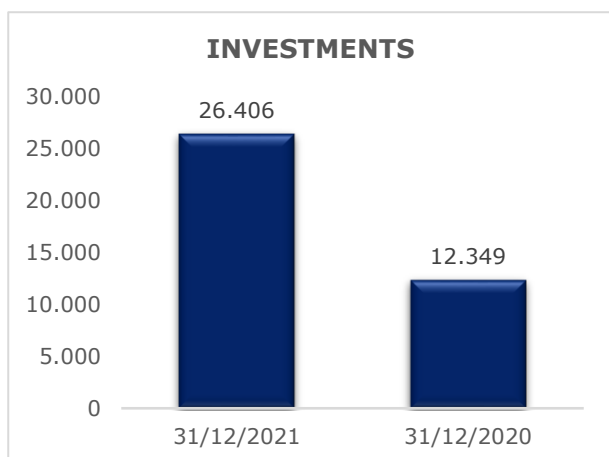
It should also be noted that the Group, starting from the 2019 financial year, adopted the accounting standard IFRS 16, which introduces a criterion based on the control (right of use) of an asset to distinguish lease contracts from service contracts, identifying as discriminating: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from using the asset and the right to direct the use of the asset underlying the contract.

The calculation of the net financial indebtedness was made taking into account the liabilities (current and non-current) relating to the state-owned area under concession, which express the current value of the total amount of the concession fees accrued annually in favour of the Port Authority for using the state property complex located in Marina di Carrara, as well as payables to shareholders and other lenders.

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

ALTERNATIVE PERFORMANCE INDICATORS - "NON-GAAP MEASURES"





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

- these indicators are derived exclusively from the Group's historical data which are extracted from the general and management accounts, and are not indicative of the Group's future performance. More specifically, they are represented, where applicable, in accordance with the recommendations set forth in the document no. 1415 of 2015, drawn up by ESMA (as implemented by CONSOB Communication no. 0092543 of 3 December 2015) and in points 100 and 101 of ESMA Q&A 31-62-780 of 28 March 2018;
- APIs are not required by the International Financial Reporting Standards ("IFRS") and, although derived from the Group's financial statements, are not subject to auditing;
- the APIs should not be considered as a substitute for the indicators provided by the International Financial Reporting Standards (IFRS);
- these APIs must be read in conjunction with the Group's financial information inferred from its financial statements;
- the definitions of the indicators used by the Group, insofar as they do not originate from the reference accounting standards used in the preparation of the financial statements, may not be the same as those adopted by other groups and therefore comparable with them;
- the APIs used by the Group have been prepared with continuity and uniformity of definition and representation for all the periods for which financial information is included in this annual financial report.

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

EBITDA: is equal to the result before taxes, before financial income and expenses, depreciation and amortisation, as reported in the financial statements, adjusted by the following elements: revenues from extraordinary activities; expenses from extraordinary activities; provisions for risks (reclassified from Other Operating Costs to depreciation, amortisation, impairment losses and capital losses); provisions for bad debts (reclassified from depreciation, amortisation, impairment losses and capital losses to Other Operating Costs);

EBIT: is equal to EBITDA net of depreciation, amortisation, write-downs and capital losses.

EBT: is equal to EBIT excluding net financial expenses and extraordinary income.

Net invested capital: equal to the total of net fixed assets and net working capital.

Net Financial Indebtedness includes:

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

SIGNIFICANT EVENTS OF THE YEAR

The main events of 2021 are described below:

On 15 February 2021, the production spaces dedicated exclusively to the Tecnomar for Lamborghini 63 line were officially opened. These areas have been set up to recreate the exclusive and personalised environment where customers can finalise the outfitting of the motor yachts. The first delivery took place at the end of July 2021.

On 5 March 2021, the Shareholders' Meeting approved the financial statements, prepared in compliance with IFRS, for the year ending 31 December 2020.

In the first half of 2021, the Parent Company put in place all necessary procedures to obtain CONSOB and Borsa Italiana authorisation for the trading of the Parent Company's ordinary shares on the Mercato Telematico Azionario (MTA), now Euronext Milan. This process, which began in early 2021, led to the drafting, with the help of legal and tax advisors, of the information prospectus approved by CONSOB on 27 May 2021. The listing project was finalised on 8 June 2021 when the Parent Company's started trading ordinary shares on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A., with an initial trading price of Euro 5.40, an increase of approximately 10% compared to the placement price of Euro 4.90 per share.

On 14 June 2021, the Parent Company announced the start of the executive design phase of one of the largest sailing catamarans in the world. With a length of 46.5 metres, an exceptional beam of 17.30 metres and an imposing 50 metre mast, the new Admiral yacht will reach the highest innovative standards confirming its uniqueness.

In June 2021, the Court of Massa approved the debt restructuring agreement proposed by the related party CELI S.r.l. pursuant to Article 182-bis of the Italian Finance Act. Therefore, the settlement agreements described in the Information Prospectus 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 (see details in the paragraph Related Parties).

In the first half of 2021, a further Euro 17 million was disbursed in relation to the medium/long-term loan agreement in connection with the long-term loan agreement signed on 8 May 2020 with UniCredit S.p.A. and Deutsche Bank for a total amount of up to Euro 20 million with floating rate and a duration of 4 years and 9 months. During 2020, Euro 3 million had already been collected to finance part of the strategic investments described above. This concluded the disbursement phase of the loan on 9 May 2021. Repayment will consist of four quarterly instalments each year starting on 30 June 2021.

On 15 September 2021 the Board of Directors of the Parent Company approved the half-yearly financial report closed on 30 June 2021, drawn up in accordance with the IFRS international accounting standards.

On 4 November 2021. The Board of Directors of the Parent Company has approved a further investment plan, called "TISG 4.1", worth Euro 14 million which will be developed in the period 2021-2022. The investment provides for the expansion of the shed on the original basin, as well as a number of service structures and systems. This will make it possible to expand the simultaneity of ships under construction by 4 units, moving the construction limit of the yard from 100 to 140 meters.

On 22 December 2021 TISG, through its wholly owned subsidiary, New Sail S.r.l., won the auction called by the Court of Lucca for the bankruptcy of Perini Navi S.p.A., for a total price of Euro 80 million. The object of the auction includes the industrial and real estate assets of the shipyards in Viareggio and La Spezia, the real estate assets of Pisa, a ship under construction (job order no. 2369), trademarks and patents, the shareholding (100%) in Perini Navi U.S.A. Inc. and the existing legal relationships with employees and third parties. This operation was financed through available cash, reinvesting a significant portion of the proceeds collected from IPO at the beginning of last June, as well as through bank credit lines made available by Banca MPS through MPS Capital Services, the Corporate & Investment Bank of the Montepaschi Group. In this context, MPS Capital Services also acted as exclusive financial advisor to TISG in the acquisition procedure of the "Perini Navi".

The state of emergency following the COVID-19 pandemic continued throughout the year under review, forcing the national authorities to take further measures.

In response to the health emergency due to COVID-19, the Company has operated by focusing on protecting the resources used and their families, on the sustainability of the Company, business continuity and on compliance with the Emergency Regulations applicable from time to time.

In particular, the Company has adopted the following measures:

- (i) a home-based remote working protocol;
- (ii) continuous and periodic communication to the Company's employees and collaborators by means of e-mails and notices posted on the boards of each department informing them of the precautions to be adopted to avoid contagion and the spread of the virus, as well as the various measures that the enacted decrees set forth; and
- (iii) the constant monitoring of the well-being of the human resources with the introduction of precautionary measures from the beginning of the pandemic, such as temperature measurement, the obligation to wear a mask at all times, the use of gloves if necessary, the distribution of antibacterial gels to all departments and the purchase of office sanitation equipment.

EVENTS AFTER YEAR END

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

New Sail S.r.l. participated in the competitive procedure by paying a deposit of Euro 8 million and after being awarded the contract, it paid a further Euro 72 million as a balance. This amount was paid through its own cash and cash equivalents, deriving primarily from the proceeds raised during the IPO at the beginning of last June, and through bank credit lines, for an amount of Euro 40 million, made available by Banca MPS through MPS Capital Services, the Corporate & Investment Bank of the Montepaschi Group.

The acquisition includes the industrial and real estate assets of the shipyards in Viareggio and La Spezia, the real estate assets of Pisa, a ship under construction (job order no. 2369), the Perini Navi, Picchiotti Yacht and Perini Navi Cup brands, the patents, the entire shareholding in Perini Navi U.S.A. Inc. and the existing legal relationships with employees

The consolidation of the acquisition will enable the Group to leverage the strong internal know-how developed in the sailing yacht business, the proven experience in the appreciation of acquired assets and brands, as evidenced by the strong growth achieved through the international recognition of Admiral and Tecnomar.

Furthermore, in the case of Perini Navi, this possibility of value increase will also be favoured by the fact that the financial crisis that led to the bankruptcy has not in the least affected the value of the prestigious brand, as the prices recorded in the most recent purchases and sales on the secondary market unequivocally demonstrate.

The additional resources from Perini Navi will be able to integrate quickly and effectively within the TISG Group which, over the last year, has already joined a large group of professionals who had previously worked at Perini Navi.

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

As described above, on 14 January 2022 a loan agreement for Euro 40 million was signed with MPS Capital Services S.p.A., expiring on 31 December 2028, aimed at financing the subsidiary New Sail S.r.l. in order to make available to it the amounts due for the payment of the balance of the price following the awarding, on 22 December 2021, in favour of the subsidiary New Sail S.r.l., of the unified business unit of the bankrupted Perini Navi S.p.A.

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

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

This operation will allow: (i) to unify and integrate decision-making processes, (ii) to pursue greater management efficiency, thanks to the development of significant production, logistical, corporate and administrative synergies, as well as (iii) to achieve administration cost containment. Since the merged company was established on 3 November 2021 and it acquired the two Perini Navi business complexes on 5 February 2022, the merger has no significant tax effects to report.

BUSINESS OUTLOOK

The growth of the yachting market reported in 2021, particularly in the segment of super and giga yachts over 50 meters in length, is expected to continue in the coming years. This sector was absolutely resilient to the problems linked to the spread of the COVID-19 epidemic and demand has not slowed down even in the face of the increase in the cost of raw materials recorded in the final part of 2021 and early 2022.

The evolution of the crisis between Russia and Ukraine, which culminated with the start of the conflict at the end of February 2022 and the sanctions introduced by the European Union against Russia, raise not a few uncertainties regarding the future repercussions on global markets.

At the moment, the management of the Group confirms that the production of the orders in progress and the refit activities are continuing without any slowdown and no orders have been cancelled nor has there been any delay in the payments according to the progress of the contractual works (Stati di Avanzamento Lavori - SAL).

TISG works exclusively on orders for shipowners from all over the world who are supported by international brokers; the contracts provide for advance payments relating to the SALs and in the event of default, the customer is expected to lose the advances paid; in this respect, the ownership of the ship would remain with TISG, giving the Group the opportunity to immediately resell the yacht and realise interesting capital gains.

With reference to the exposure of the Net Backlog towards the Russian market, to date, it should be noted that there is only one contract in place with a Russian customer who must pay the last contractual SAL for the delivery of the yacht expected in the first months of 2023.

The Italian Sea Group operates mainly in the segment of yachts from 50 meters to over 100 meters, which represent approximately 80% of the ships that the Group currently has under construction.

In light of this growth in demand, TISG will continue to focus its efforts on the construction of mega and giga-yachts, leveraging the consolidated reputation of its brands and the great skills recognized by customers and major brokers in the international yachting sector.

Another significant element of TISG's development strategy is the consolidation in the sailing yacht segment, which is experiencing a strong increase in demand.

Confirming TISG's positioning in the USA also in the sailing segment, it must be noted that the completion of a 60-meter sailing yacht for an American shipowner (order originally acquired by the previous Perini Navi shipowner).

Merger of former Perini Navi activities

Following the acquisition of Perini Navi, TISG has already internally integrated most of the employees taken over from the same acquisition and has activated the necessary procedures for the start-up of the two production sites in La Spezia and Viareggio.

New partnerships with leading luxury brands

Collaborations with brands of the calibre of Giorgio Armani and Automobili Lamborghini have contributed to further strengthening the positioning in the luxury segment, and confirming what was announced in the Road Show (June 2021), the agreements for a further important partnership are being completed.

Commercial evolution in the world:

TISG's commercial strategy is mainly developed through collaboration with international brokers, through specific events organised directly by the Issuer at its headquarters and through the word of mouth of customers who have already purchased a yacht from the Group.

The Group is active in researching all possible commercial opportunities through a number of agreements executed with the main players in the sector and more specifically TISG has announced, in November 2021, the partnership with Camper & Nicholsons International for the marketing of the motor yachts Admiral and Tecnomar, in China and Hong Kong.

The North American market is in great expansion, as evidenced by the announcement of the sale, made at the end of 2021, of a new 82-meter Galileo mega yacht from the Admiral fleet, finalised through the US broker FGI Yachts.

The Tecnomar for Lamborghini sales network, also thanks to the collaboration with Lamborghini dealerships around the world, is opening up the opportunity for TISG to enter new markets, such as the Australian and Middle Eastern ones.

The Guidance for the year 2022 provides for an increase in total Revenues between Euro 280 and 295 million with a further growth compared to 2021 of about 55% and an EBITDA Margin of 15.5%.

This Guidance reflects the contribution of the Perini Navi acquisition in terms of increased revenues; the further increase in margins also expresses the expectation of achieving positive returns, thanks to the rapid start-up of new production sites with limited investments. The investments expected to take place in 2022 include Euro 9 million for the completion of the "TISG 4.0" investment plan and Euro 10 million for "TISG 4.1". In addition, Euro 1.8 million will be invested in the 2022 - 2023 period for the fine-tuning of the two production sites in

Viareggio and La Spezia that have been taken over with the acquisition and that are already operational.

Based on the strong conviction that the full production capacity of the two shipyards can be utilised, on 17 February 2022 the Board of Directors of "The Italian Sea Group" has approved the merger project of the subsidiary New Sail S.r.l.. After having clearly defined the integration projects of the acquisition and start-up of the production sites, the Group's Management is therefore already fully focused on their execution.

Product differentiation:

The Group mission will be based on paying particular attention to customer satisfaction. For this reason it intends to further improve the pre-sales services (design and development of yachts, already in the pre-order phase, thanks to a dialogue between the potential customer and the internal departments) and after-sales services (high level of service in the after-sales treatment, including the constant monitoring of the yachts built throughout the warranty period, thanks to the proprietary software that puts the shipowner and their team in contact with the Group), which are currently deemed to constitute an important competitive advantage. In this respect it should be noted that TISG pays particular attention to its interaction with customers, who are supported by an organized structure characterised by competence and flexibility; indeed, the Group bases its commercial negotiations on a constant and constructive dialogue with the shipowner and/or the broker.

Higher price positioning while safeguarding value for money

TISG intends to improve its positioning with respect to sales prices, especially in the segment of motor yachts over 50 meters in length, while maintaining a competitive price level compared to the main international shipyards in the segment in question, i.e., the large Northern Europe shipyards.

In this context, TISG is recognized as one of the shipyards with the best quality/price ratio among the main competitors and one of the best shipyards both in terms of experience given to customers, who can interact with it right from the initial stages, and for the extreme flexibility of the range of styles and models able to satisfy the most demanding customers.

The history and prestige of its brands, the high quality of its products and the made-in-Italy excellent design content are some of the factors that allow TISG to have the necessary margins to increase the price level while retaining a high quality/price ratio.

The quality/price ratio, the flexibility of the proposed range and the brand positioning are some of the discriminants considered by Ultra High Net Worth Individuals in the choice of the yacht to purchase.



THE ITALIAN SEA GROUP S.P.A.
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Growth by external lines

The strategy of growth for external lines provides for the multi-year lease of some Italian and European shipyards. This strategic choice is based on the Group's plan to further expand its production capacity by transferring some processing phases, such as those involved in hull construction, outside the Marina di Carrara shipyard. The high quality standards and direct control of the phases of the value chain will be ensured through continuous inspections at foreign shipyards by TISG technicians. The objective is to streamline the processes with lower added value to be carried out at its Italian production site so that only the assembly and greater added value activities are carried out at the Marina di Carrara shipyard.

Evolved management of NCA Refit

The strategy for the NCA Refit Division, considered to be highly complementary to the activities of the Shipbuilding Division, consists in strengthening production capacity through the TISG 4.0 and TISG 4.1 projects in addition to the Viareggio and La Spezia sites acquired in the Perini Navi transaction. This project for the expansion of the current structures will in fact allow a greater number of yachts of increasing size to be hosted for refit activities and to start the ship transformation business, which involves the substantial conversion of the type of hull (for example, the transition from tug to yacht) or the change in size (for example yachts that increase from 60 to 70 metres in length).

The strategy for the growth of the NCA Refit Division is mainly broken down through the following points:

1. continue to specialize in high value-added processes such as hull maintenance, repair and modification of electrical systems, painting, interior fitting and mechanical activities;
2. allocate the shipyard's services to increasingly larger yachts;
3. offer a range of services able to meet customers' requests in relation, for example, to the shape of the hulls and the mechanics of the yacht, always guaranteeing high quality standards;
4. continue to invest in an efficient management of contract costs thanks to a special internal control system, and obtain profit margins also thanks to the proposal of additional services and supplies to customers;
5. take care of the needs of shipowners, captains and in particular of the crews of the refitted yachts by offering them the NCA Village accommodation facilities.

RELATED PARTY TRANSACTIONS

Revenues, expenses, receivables and payables at 31 December 2021 from related parties are described in the Notes to the financial statements. Transactions are carried out at normal market values, based on the characteristics of the goods and services provided.

RISK MANAGEMENT

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

RISKS RELATED TO THE FINANCIAL SITUATION

Description of the risk

The Group at 31 December 2021 shows a positive Net Financial Indebtedness, for the purpose of determining the financial covenants for Euro 41,023 thousand. Part of the financial indebtedness derives from financial contracts with financial covenants, mandatory early repayment clauses in the event of certain cases of default, termination, withdrawal or forfeiture of the benefit of the term or cross default. The Group is therefore exposed to the risk of having to repay its financial debt early in the event of the above-mentioned assumptions; this circumstance could have significant negative effects on the Group's economic, financial and equity situation. Moreover, the Group is exposed to the so-called interest rate risk, i.e., the risk that an increase in interest rates may result in higher charges than the current ones. In order to hedge against the risk of changes in the interest rate, the Group adopts hedging instruments covering approximately the most significant medium- and long-term variable-rate loans. The financial covenants, to be verified only at the end of each year, in terms of the relations between (a) financial indebtedness and own funds of the Group; (b) financial indebtedness and EBITDA of the Group; (c) financial indebtedness and own funds of GC Holding, the controlling shareholder of TISG; (d) financial debt and EBITDA of TISG and (ii) a cross-default clause.

The TISG 4.0 Project Loan provides for a limit to the distribution of the Group's dividends if its financial parameters - calculated also taking into account both the amount of the distribution and/or of the assumed repayment and of any distributions and/or repayments already carried out in the same period of reference - are not fully respected with reference to the previous year, it remaining agreed that (A) under no circumstances will it be possible to make distributions of dividends and/or repay existing loans either by the Group to GC Holding S.p.A. or by GC Holding S.p.A. to its shareholders, if a relevant event has occurred, or if the distribution and/or repayment envisaged may cause a relevant event and that (B) the Group and/or GC Holding S.p.A. may distribute dividends and repay their respective existing shareholder loans only within the limits of the profit they generated in the previous year. To

guarantee this loan, TISG established: (i) a special lien pursuant to Article 46 of Legislative Decree 385 of 1993 through a special lien signed on 8 May 2020 on certain plants, works, concessions and capital goods intended for exercise of the TISG business, and on receivables, including future receivables, that will arise as a result of the sale of any of these assets; and (ii) a first-rank pledge on the surface tenure of an industrial shed located in the municipality of Carrara, and on the sinkable barge built in the Group's shipyards in 2014, through a mortgage deed signed on 8 May 2020.

In the event of non-compliance with the financial covenants, the company 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. With regard to the remaining positions, the Group is exposed to a moderate credit and liquidity risk depending on the credit lines obtained by the banking class.

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 parameters that demonstrate compliance with the aforementioned covenants for the year 2021, calculated according to the method described above, are shown below:

Description (thousands of Euro)	2021	2020
Share capital	26,500	21,750
Reserves and other retained earnings	45,431	12,235
Subordinated Shareholders' Loan	3,161	3,095
Dividends	0	0
OWN FUNDS	75,092	37,080
Current financial liabilities	7,575	2,495
Non-current financial liabilities	23,863	7,757
Payables to other lenders	8,259	8,437
Other financial assets not included in the above items	1,298	2,275
Co-obligation payables	2,871	4,938
Liquidity	(85,615)	(17,943)
NFP	(41,749)	7,959
EBIT	21,240	9,773
FROM	6,233	5,091
Contingencies	(715)	(343)
EBITDA	26,758	14,521

CONTENTS	Contractual Reference Value		Covenants	
	2020		2021	2020
NFP/EBITDA	< 2.00		(1.56)	0.55
NFP/MP	< 0.50		(0.56)	0.21

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 implement adequate project management activities, with sufficient or effective procedures and actions to monitor the correct completion and efficiency of its shipbuilding processes, if it is unable to adequately manage any complexity deriving from the product diversification activities brought into being by the directors or if it fails to efficiently distribute the workloads based on production capacity (plant and workforce), it could experience a contraction in revenues and profitability with possible negative effects on its economic, equity and financial position.

Mitigating actions

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

RISKS RELATED TO MANAGEMENT OF RELATIONS WITH SUPPLIERS IN OUTSOURCED PRODUCTION

Description of the risk

The Italian Sea Group makes use of contractors, external collaborators (e.g., designers) and suppliers in order to purchase materials, components and semi-finished products and to carry out steelworks, plant engineering, painting, fitting out, art direction and design, among other things. Any non-fulfilment by some contractors, collaborators or suppliers could compromise the correct and timely performance of the Group's activities, with negative effects on its productivity, results and economic situation. The Group is also exposed to the risk that any defects and/or malfunctions in products or processing and/or delays could cause reductions in revenues and/or compensation obligations and/or reputational damage. TISG is also exposed to the risk that employees of external contractors or even suppliers or collaborators formulate requests to the Group for recognising the existence of employment relationships, as well as requests for payment by virtue of the constraints of passive solidarity or contest violations of the regulations in force, with possible negative effects on the economic, financial and equity position of the Group.

Impact

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

Mitigating actions

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

RISKS RELATED TO THE STRUCTURE OF THE MARKET

Description of the risk

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

The instability of the health, political, macroeconomic and financial framework at both European and global level, due to the concentration of the Group's and global revenues in this continent, could affect the production capacity and growth prospects of TISG. In particular, a prolonged recession in any of these regions or at global level, or a public perception that economic conditions are worsening, could significantly reduce the demand for TISG products.

The growth of UHNWI (customers targeted by TISG), in terms of both number and wealth, is driven by Asia, and the expansion in the Asian market is an opportunity for the Group. In Hong Kong, which represents a significant hub of trade in Asia, also with reference to the luxury yachting sector, anti-government demonstrations have taken place, characterised by clashes between demonstrators and law enforcement agencies; the continuation or worsening of this scenario could have repercussions on the plans for expansion in the Asian market.

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

Mitigating actions

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

The Group's current strategy envisages product and business diversification and a global presence on all continents. This circumstance allows TISG to identify and reach the different needs of customers in every part of the world. TISG implements a commercial strategy aimed at the continuous exchange of information between the customer and the company's managers, to deal with and resolve any difficulty that may arise as a result of events not attributable to the intrinsic performance of the business at any time.

RISKS RELATED TO ORDER MANAGEMENT

Description of the risk

TISG stipulates contracts with shipowners that envisage a specific fee (except for further requests from the customer received during construction) that must take into account all the costs related to the construction of the yacht, and of the penalties that are prescribed in the orders in case of delay in delivery and the yacht's failure to achieve certain performances (speed, noise levels, vibration levels). If there are significant increases in costs, the margin could be reduced, with a consequent negative impact on its economic, financial and equity situation.

The occurrence of this risk, which is considered to be highly probable, could have negative effects on TISG's economic, financial and equity situation.

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

Impact

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

Mitigating actions

The Group has included within its team, project managers with many years of experience in the nautical sector, responsible for the preparation of order budgets, supply chain management, monitoring of delivery times and the general quality of projects. This activity is carried out by the project managers in collaboration with the planning and control function, under the direct responsibility of the General Manager of TISG. The monitoring of the final data with respect to the order budget is carried out on a monthly basis in the meetings of comparison between the planning and control department, the sales management and the Chief Executive Officer of TISG.

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

contracts, addendums can be stipulated, shared with the customer, to manage the extra requests and recover any percentage of margins.

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

Description of the risk

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

Impact

During the aforementioned warranty period, the Group is required to carry out repairs and/or replacements for any fault or defect that emerges after delivery (although it can then attribute responsibility for the defect to its own contractors or third-party suppliers, who additionally have warranty obligations towards the shipyard and from whose remuneration/contract or supply price is deducted - during the course of the contract - from 5% to 10% of each SAL, precisely as a retention of guarantee). In the estimate phase, the Group already considers the cost of any repairs under warranty based on historical statistics of the interventions and considers them among the costs of the order.

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

Mitigating actions

TISG has equipped itself with a very sophisticated and technological control system for the entire production phase of the yachts. The Quality department carries out Production control in all phases of the order. It is called Production Quality Control (CQP) and is completely independent from the other departments. The activities are carried out by a team that is complete in terms of skills and experience. There are 8 inspectors and 4 external collaborators on board full-time to implement experience in metal carpentry, outfitting, safety, compiling schedules and test memoranda, managing notes in red and remark reports on deliveries and approval of drawings. When on-board inspections give a negative result, the Quality Control Department issues REMARK reports, based on:

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

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

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

RISKS RELATED TO THE REGULATORY FRAMEWORK OF REFERENCE

Description of the risk

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

Impact

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

Mitigating actions

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



THE ITALIAN SEA GROUP S.P.A.
Tax Code 00096320452

RISKS RELATED TO LITIGATION AND TAX ASSESSMENTS

Description of the risk

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

Impact

The Group believes it is possible that the outcome of the proceedings in progress at the closing date of the financial statements at 31 December 2021, for which the aforementioned funds were set up, and any further proceedings that may arise, could have an unfavourable outcome for the Group, with acceptance, in whole or in part, of the claims made by the counterparties. Despite the above assessments, it cannot be ruled out that currently remote risks may become likely and lead to adjustments to the value of the provisions for risks, or that, in the event of losing in disputes for which the provisions for risks were deemed adequate, TISG could suffer negative effects on the economic, equity and/or financial situation.

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

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

- a civil action is pending before the Court of Trani against a ship-owning company that was a client of the old Tecnomar S.p.A. for approximately Euro 900 thousand, relating to a contract dating back to 2007. The first judgement that was pending between the parties in Lucca was defined and it was declared incompetent so the judgement on the merits continued only before the court of Trani. The lawsuit was withheld for decision with the granting of the legal terms for the filing of the final statements expiring on 31 January 2022 and 20 February 2022. The sentence should be issued in the first half of 2022;

- arbitration proceedings in the UK against GFM SA - Franck Muller Group and FMTM Limited for a partnership agreement that TISG believes has not been respected. To date, interim rulings have been issued in favour of the Group, also recognised in Switzerland at all levels of the courts, and in Switzerland (as well as in Italy) TISG has seized assets for an amount of Euro 660 thousand from GFM SA - Franck Muller Group. The proceedings initiated by TISG in Switzerland for the recognition of further interim rulings that order GFM SA - Franck Muller Group to pay legal costs for an amount of Euro 210 thousand, recognised as a credit in the financial statements of TISG at 31 December 2021, are also pending;
- at the closing date of the financial year, there were 2 labour disputes.

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

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

Mitigating actions

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

RISKS RELATED TO COMMERCIAL RELATIONS WITH THE INTERMEDIARY TISG Asia

Description of the risk

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

Impact

On **2 February 2021**, as part of a settlement agreement signed between TISG and the customer TISG Asia, the parties agreed to: (i) terminate no. 1 contract for the construction of a TECNOMAR-branded yacht for which TISG has withheld the amount already paid by the shipowner and has proceeded to sell the same yacht to another customer under substantially similar contractual conditions; (ii) terminate n. 3 contracts for the construction of TECNOMAR for LAMBORGHINI 63 model yachts, in relation to which the Group has withheld, as contractually provided for, the advances that have already been paid by TISG Asia itself, advances that were therefore charged for the construction of the yacht referred to in point (iii) below; (iii) terminate no. 1 contract for the construction of an ADMIRAL brand yacht and sign, under different conditions with a discount of 10% from the list price, at the same time a new contract for the construction of a new ADMIRAL brand yacht, charging as advance payment the same the advance payments for the yachts model TECNOMAR for LAMBORGHINI 63 referred to in point (ii) above. In this regard, it should be noted that the TECNOMAR branded yacht and the ADMIRAL branded yacht (referred to in points (i) and (iii) above) were, prior to the announced default, ordered from TISG Asia from a single final customer while the n. 3 contracts for the construction of TECNOMAR for LAMBORGHINI 63 model yachts (referred to in the previous point (ii)) were entered into by TISG Asia as its own investment. The profitability of TISG was not affected, as it did not start production at the time of the termination of the contract. The 5 terminations by TISG Asia, referred to above, related to contracts for a total value of approximately Euro 40 million for which TISG, as part of the settlement agreement, withheld advances for approximately Euro 9 million.

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

On **19 November 2021**, TISG and TISG ASIA signed a document through which all contractual issues were clarified, in part already defined with the settlement agreement of 2 February 2021, and in particular it was set forth that TISG ASIA can act as a non-exclusive broker for 12 months from the signing of this agreement (with the possibility of automatic renewal for a

further 12 months if TISG ASIA reaches the targets set by the agreement) in compliance, in any case, with the exclusive brokerage agreements stipulated by TISG with third parties .

At the closing date of the financial statements at 31 December 2021, TISG has with TISG ASIA n. 2 TECNOMAR model yachts, one of which will be delivered in May 2022 and the other (already fully paid for by the customer TISG ASIA) will be delivered by the end of March 2022.

Mitigating actions

Through its top management, the Group monitors all relations with TISG ASIA in order to assess any further developments regarding what has already been abundantly defined in the agreements described above.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Chair of the Parent Company is Filippo Menchelli, the Chief Executive Officer is Giovanni Costantino and the Deputy Chair is Giuseppe Taranto.

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

The Board of Directors of the Parent Company in office at the date of this Report is made up of seven members, appointed by the Shareholders' Meeting held on 18 February 2021. The Board of Directors thus constituted shall remain in office until the date of the Shareholders' Meeting called to approve the 2022 financial statements.

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

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

The internal control and risk management system requires the Board, after obtaining the opinion of the Control and Risks Committee, to define the guidelines for the internal control and risk management system, understood as a set of processes aimed at enabling the identification, measurement, management and monitoring of the main risks. This system helps to ensure the efficiency and effectiveness of company operations, the reliability of financial information, compliance with laws and regulations, the bylaws and internal procedures, as well as the safeguarding of company assets.

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

The Board of Statutory Auditors in office at the date of this Report was appointed by the Ordinary Shareholders' Meeting held on 8 May 2020, in accordance with the provisions of the Articles of Association and will remain in office until the approval of the 2022 financial statements.

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

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

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

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

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

Also in compliance with the regulations contained in the GDPR, considering that the Parent Company's business involves, inter alia, the regular and systematic monitoring of personal data of individuals, the Parent Company has also appointed a Data Protection Officer (DPO), who, as provided for in Articles 37-39 of the GDPR, has the task of advising company departments on privacy matters and inspecting personal data management activities, representing the point of reference within the Parent Company for everything relating to the processing of personal data and the interface with the Data Protection Authority.

INFORMATION ON MANAGEMENT AND COORDINATION ACTIVITIES

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

ARTICLE 2428 ITALIAN CIVIL CODE

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

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

thousands of Euro	notes	31/12/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
Brands	1	3,554	3,554
Other intangible assets	2	863	823
Land and buildings	3	35,994	19,942
Plant, machinery, equipment and investments in progress	4	28,708	22,847
Other tangible assets	5	1,642	1,648
Right Of Use	6	8,889	9,106
Equity investments	7	43	43
Other non-current assets	8	4,222	2,504
Total non-current assets		83,915	60,467
CURRENT ASSETS			
Cash and cash equivalents	9	85,615	17,943
Trade receivables	10	10,236	14,616
Other receivables	11	10,339	1,297
Assets from contract work in progress	12	41,336	22,549
Inventories	13	1,250	2,759
Other current assets	14	2,384	3,321
Total current assets		151,159	62,485
TOTAL ASSETS		235,075	122,952
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		26,500	21,750
Share premium reserve		45,431	12,000
Reserves and other retained earnings		4,635	235
Profit (loss) for the year		16,322	6,235
Total Shareholders' Equity	15	92,888	40,220
NON-CURRENT LIABILITIES			
Provisions for risks and charges	16	3,066	2,639
Deferred tax liabilities	17	1,178	1,840
Provision for employee benefits	18	760	817
Long-term financial liabilities	19	31,378	18,415
Other non-current liabilities	20	486	1,404
Total non-current liabilities		36,868	25,115
CURRENT LIABILITIES			
Trade payables	21	57,146	34,240
Other payables	22	5,623	4,710
Short-term financial liabilities	23	11,479	3,370
Liabilities from contract work in progress	12	16,345	8,845
Other current liabilities	24	14,725	6,452
Total current liabilities		105,318	57,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		235,075	122,952

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT BY NATURE

thousands of Euro	notes	31/12/2021	31/12/2020
Operating revenues		186,054	112,951
Other revenues and income		5,448	6,116
Commissions		(4,825)	(1,853)
Total Revenues	25	186,677	117,214
Raw materials, components and consumables	26	(46,684)	(26,423)
Cost for outsourced work	27	(71,278)	(44,703)
Technical services and consultancy	28	(5,234)	(5,370)
Other costs for services	29	(10,695)	(7,037)
Personnel costs	30	(22,117)	(16,881)
Other operating costs	31	(3,682)	(2,263)
Total operating costs		(159,690)	(102,677)
Operating result before amortisation, depreciation and write-downs		26,987	14,537
Amortisation, depreciation and write-downs	32	(5,747)	(4,764)
Operating result		21,240	9,773
Financial income	33	187	28
Financial charges	33	(3,275)	(1,991)
Profit (loss) for the year before income taxes		18,153	7,810
Income taxes	34	(1,831)	(1,575)
Profit (loss) for the year		16,322	6,235
Earnings per ordinary share		0.31	0.29
Diluted earnings per ordinary share		0.31	0.29

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT BY NATURE

Profit/(loss) for the year		16,322	6,235
Gains/(losses) on remeasurement of defined benefit employee plan liabilities	35	(31)	(9)
Change in fair value of hedging derivatives	35	81	103
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR (A) + (B)		16,372	6,123

CONSOLIDATED CASH FLOW STATEMENT

<i>thousands of Euro</i>	31/12/2021	31/12/2020
INCOME MANAGEMENT ACTIVITIES		
Profit for the period before taxes	18,153	7,810
Net interest	3,154	2,030
Provision for charges and risks	1,773	1,112
Provision for severance indemnity	957	723
Adjustments for:		
Amortisation, depreciation and write-downs of fixed assets	4,199	3,941
Capital gains/(losses)	(36)	(7)
Other provisions and write-downs (revaluations)	296	821
Changes in assets and liabilities:		
Receivables from customers	4,084	(2,933)
Inventories and contract works in progress	(9,778)	8,012
Other management activities	(8,023)	(1,260)
Payables to suppliers	21,649	11,161
Other operating payables	8,268	(511)
Severance indemnity	(1,014)	(798)
Provisions for risks and charges	(2,008)	(406)
Taxes paid	(1,831)	(637)
Interest paid	(3,088)	(1,320)
Cash flow from income management activities	36,754	27,738
INVESTMENT ACTIVITIES		
Purchase of tangible assets	(23,424)	(11,830)
Disposal of tangible assets	36	7
Purchase of intangible assets	(346)	(378)
Purchase of equity investments	0	0
Receivable from CELI	(3,411)	(1,343)
Others	880	(148)
Cash flow from investment activities	(26,265)	(13,692)
FINANCING ACTIVITIES		
Capital contributions	4,750	0
Payment of Share Premium Reserve	41,851	0
Payment of IPO Charges	(2,027)	0
Payment of dividends	(6,235)	0
Raising M/L term loans	27,000	7,000
Repayment of M/L term loans	(5,391)	(5,350)
Repayment of loans to others	(2,339)	(980)
Net change in other sources of short-term financing	(427)	(2,528)
Cash flow from financing activities	57,182	(1,858)
TOTAL CASH FLOWS FOR THE PERIOD	67,672	12,188
OPENING CASH AND CASH EQUIVALENTS	17,943	5,755
FINAL CASH AND CASH EQUIVALENTS	85,615	17,943

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Figures in thousands of Euro	Values at	Allocation of income	Result for the year	Other changes	Total profit/(loss)	Values at
	31/12/19	31/12/19	31/12/20	31/12/20	31/12/20	31/12/20
SHARE CAPITAL	21,750					21,750
SHARE PREMIUM RESERVE	12,000					12,000
RESERVES AND OTHER RETAINED EARNINGS	(82)	429			(112)	235
PROFIT (LOSS) FOR THE PERIOD	429	(429)	6,235			6,235
TOTAL NA	34,097	0	6,235	0	(112)	40,220

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

EXPLANATORY NOTES

CONTENT AND FORM OF THE CONSOLIDATED FINANCIAL STATEMENTS

These explanatory notes were prepared on the basis of the accounting records updated at 31 December 2021. The purpose of this document is to illustrate, analyse and, in some cases, supplement the data indicated in the consolidated financial statements.

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

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

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

In order to ensure appropriate comparability between the data at 31 December 2021 and those of the previous year, it should be noted that the column relating to the data at 31 December 2020 refers to The Italian Sea Group S.p.A. "stand alone", which at the end of the previous year was the only entity belonging to The Italian Sea Group.

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. For the year 2021 it is required that the consolidated financial statements must be "marked" with the ESEF taxonomy, using an integrated computer language (iXBRL).

REPORTING BY OPERATING SECTOR

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

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

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

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

BUSINESS CONTINUITY

The consolidated financial statements for the year ended 31 December 2021 were prepared with a view to the continuation of the company's business as there is a reasonable expectation that TISG S.p.A. will continue its operating activities in the foreseeable future (and in any case with a time horizon of more than twelve months). In particular, the following factors were taken into consideration:

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

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

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

INTRODUCTION

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

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

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

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

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The consolidated financial statements at 31 December 2021 were prepared in compliance with the International Accounting Standards (IFRS), in force at the end of the year, issued by the International Accounting Standards Board and adopted by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The comparison between the figures of the statement of comprehensive income, the statement of financial position, the cash flow statement and the changes in shareholders' equity is always expressed in thousands of Euro, except in the cases indicated individually and otherwise, and is carried out with the corresponding values at 31 December 2020.

The accounting standards adopted in the preparation of these consolidated financial statements are consistent with those adopted in the preparation of the financial statements at 31 December 2020, with the exception of the adoption of the new or revised standards of the International

Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

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 2021

Pursuant to IAS 8 (Accounting Standards, changes in accounting estimates and errors), the IFRS in force as from 1 January 2021 are indicated and briefly described below:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Reform of the benchmarks for determining interest rates – phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021
Concessions on fees related to COVID-19 subsequent to 30 June 2021 (Amendment to IFRS 16)	March 2021	1 April 2021 ¹	30 August 2021	(EU) 2021/1421 31 August 2021
Temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020

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.

¹ The IASB document enters into force starting from financial years starting on or after 1 April 2021, but early application is also permitted for financial statements not authorized for publication by 31 March 2021 (date of publication of the amendment to IFRS 16). The European Union approval regulation published in August 2021 provides that the amendment to IFRS 16 must be applied at the latest from 1 April 2021 for financial years starting from 1 January 2021.

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 the financial year starting on 1 January 2022:

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

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

- Communication of accounting standards (Amendments to IAS 1 and to IFRS Practice Statement 2 of IFRS);
- Definition of accounting estimates (Amendments to IAS 8); and
- Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

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

In response to feedback and questions from stakeholders, in December 2020, the IFRIC (the Committee) issued a provisional agenda decision, which analysed the applicability of the amendments to three scenarios. However, in the light of the feedback received and the various

concerns raised about the outcome of the application of some aspects of the amendments, the Committee did not finalise the provisional decision agenda and referred the matter to the IASB. At its meeting in June 2021, the IASB provisionally decided to amend the obligations under IAS 1 regarding the classification of liabilities by subjecting it to conditions and the disclosure of information regarding these conditions and to postpone the effective date of the 2020 amendment by at least one year.

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

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

NON-CURRENT ASSETS

Intangible assets

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

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

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

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

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

The recoverability is verified by comparing the book value with the relative recoverable value represented by the higher of the fair value, net of disposal costs, and the value in use. The latter is determined by discounting the expected cash flows deriving from the use of the cash generating unit and, if significant and reasonably determinable, from its sale at the end of its useful life, net of disposal costs.

The expected cash flows are determined on the basis of reasonable and supportable assumptions representative of the best estimate of the future economic conditions that will occur in the residual useful life of the cash generating unit, giving greater importance to the indications coming from the outside.

In order to determine the value in use, the expected cash flows are discounted at a rate that reflects the current market valuations of the time value of money and the specific risks of the asset not reflected in the estimates of cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital ("WACC").

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

Research costs are charged to the income statement in the period in which they are incurred. Costs for the development of new products and manufacturing processes are capitalised and recognised under intangible assets only if all the following conditions are met:

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

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

Tangible assets

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

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

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

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

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

Description	%
Buildings on land under concession	Expiry of the concession (31/12/2043)
Plant and machinery	6.67%-10%
Equipment	10%-25%
Office furniture and machines	12%
Electronic machines	20%
Motor vehicles	20%

Impairment losses on non-financial assets

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

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

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

Equity investments

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

Right Of Use - Lease liabilities

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

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

The lease liability is initially measured at the present value of the lease payments due over the term of the lease. In calculating the present value of the lease payments, the Group uses the lessee's marginal borrowing rate at the start date of the lease when the implicit interest rate of the lease cannot be easily determined. The variable payments due for the lease that do not depend on an index or a rate are recognised as costs in the period in which the event or circumstance that triggers the payments occurs. After the commencement date, the lease liability is measured at amortised cost using the effective interest rate method and restated when certain events occur.

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

CURRENT ASSETS

Inventories

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

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

Assets and liabilities from contract work in progress

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

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

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

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

For the purpose of a better presentation of the financial statements, the Directors decided to reclassify also the comparative data at 31 December 2020 so as to make the data comparable and to facilitate the reading of the financial statements for the users.

Trade receivables and other assets

Trade receivables and other current and non-current receivables are financial instruments, mainly relating to receivables from customers, not derivatives and not listed in an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the balance sheet under current assets, with the exception of those with a contractual maturity of more than twelve months from the reporting date, which are classified under non-current assets. These financial assets are recorded in the balance sheet assets when the Group becomes a party to the contracts connected to them and are eliminated from the balance sheet assets, when the right to receive the cash flows is transferred together with all the risks and benefits associated with the business sold. Trade receivables and other current and non-current receivables are originally recognised at their fair value and, subsequently, at amortised cost, using the effective interest rate, reduced for impairment. The amount of the write-down is measured as the difference between the book value of the asset and the present value of expected future cash flows. The value of the receivables is shown in the financial statements net of the related bad debt provision. Trade receivables and other current and non-current receivables are eliminated from the statement of financial position when the right to receive the cash flows is extinguished and all the risks and benefits associated with the holding of the asset are substantially transferred (referred to as "derecognition") or if the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed. The approach adopted for the recognition of loan losses is prospective, focused on estimating the probability of future losses on loans, even in the absence of events that suggest the need to write down a credit position ("expected losses"). Although the provision allocated is deemed adequate, the use of different assumptions or the change in economic conditions, even more so in this period characterised by a negative economic situation, could be reflected in changes in the provision for credit risks.

Cash and cash equivalents

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

NON-CURRENT LIABILITIES

Provisions for risks and charges

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

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

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

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

Contingent assets and liabilities

Contingent liabilities consist of:

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

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

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



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Employee benefits (Post-employment plans)

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

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

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

Financial liabilities

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

Payables and other liabilities are classified as current liabilities, unless the Group has the contractual right to settle its obligations at least after twelve months from the date of the financial statements. Financial liabilities are eliminated when they are extinguished, or when the obligation specified in the contract is fulfilled, cancelled or expired.

Derivatives

The derivative instruments finalised by TISG are aimed at hedging the exposure to interest rate risk on the medium-term loan stipulated with Unicredit in 2019 and on the medium-long term loan taken out with Unicredit - Deutsche during 2020.

Derivative financial instruments meet the criteria for classification as instruments of coverage and thus the relationship with the item being hedged is documented, including the risk management objectives, the hedging strategy and the methods to assess effectiveness. The effectiveness of each hedge is verified both at the initiation of each derivative instrument and during its life.

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

CURRENT LIABILITIES

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

Financial liabilities are classified under current liabilities, unless the 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 yachts 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 yachts ("over time"). In particular, the ships are built on specific customer requirements and the Group has contractual rights that protect the recognition of the margin of the service completed up to the date in question. At the signing of the contract, the customer pays the Group an amount as an advance payment which, in the event of renouncement to the purchase of the yacht, may be retained and included in the revenues.

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

Invoices are issued according to the conditions set forth in the contract for each individual unit. In particular, a payment on account is established at the start of the contract, and invoices are subsequently issued on the achievement of specific partial completion stages (SALs).

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

- upon signing the contract;
- upon completion of the hull, deck and superstructure;
- upon completion of the internal subdivision, rough finish;
- upon boarding of the main engines;
- upon completion of the works, when the yacht 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 ship is paid, on average, by way of advance payment and in subsequent instalments during the course of the work in progress on the contract as shown above, while only a residual portion is settled upon final delivery of the unit.

Financial income

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

Accounting for government grants

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

COSTS

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

Financial charges

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

Dividends

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

Taxes

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

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

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

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

Quotation costs

In accordance with IAS 32, transaction costs related to an equity transaction are accounted for as a deduction from equity to the extent that they are marginal costs directly attributable to the equity transaction that would otherwise have been avoided. The costs of a capital transaction that is abandoned are recognised in the income statement.

In compliance with the above, the listing costs related to the listing on the MTA market on 8 June 2021 referring to the capital increase have been recognised as a direct reduction of shareholders' equity.

The amount of IPO costs not related to the capital increase was recognised in the income statement.

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

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

Exchange rate differences are of a financial nature and as such are recognised in the income statement as financial income components, as they are not related to the commercial

transaction in the strict sense, but express the changes over time - once the commercial transaction is concluded - of the currency chosen for the negotiation.

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

Use of estimates

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

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

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

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

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

- *Deferred tax assets*: Deferred tax assets are accounted for on the basis of expectations of taxable income in future years. The valuation of expected taxable income for the purposes of accounting for deferred tax assets depends on factors that may vary over time and determine significant effects on the recoverability of deferred tax assets;
- *Valuation of the ADMIRAL and TECNOMAR brands*: intangible assets with an indefinite useful life are not amortised; the recoverability of their book value is checked at least annually and in any case when events occur that suggest a reduction in value, based on an impairment test based on estimates and assumptions by management;

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

COMMENTS ON THE MAIN CONSOLIDATED ASSET ITEMS**Note 1 - Brands**

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Brands	3,554	3,554	0
TOTAL	3,554	3,554	0

Description (thousands of Euro)	Admiral brand	Tecnomar brand	Total
Net Book Value 31.12.2020	2,319	1,235	3,554
Investments	0	0	0
Net decreases	0	0	0
Net Book Value 31.12.2021	2,319	1,235	3,554

Brands: This item, equal to Euro 3,554 thousand at 31 December 2021, unchanged compared to 31 December 2020, is composed of Euro 2,319 thousand for the purchase cost of the Admiral brand, incurred by The Italian Sea Group S.p.A. in 2011 and for Euro 1,235 thousand, from the purchase of the TECNOMAR brand from CELI S.r.l., which took place in December 2019.

Brands are tested for impairment indicators at least once a year. If the test shows an impairment loss, the Group records a corresponding write-down in the financial statements. This test was based on the comparison between the recoverable value of the brands and their book value posted in the financial statements.

The Group has identified three CGUs (Cash Generating Units) corresponding to the three brands through which the Group operated during the year ended 31/12/2021: Admiral, TECNOMAR and NCA Refit (internally generated brand with no net book value and therefore not subject to impairment test).

Pursuant to the applicable accounting regulations, the "recoverable amount" of the asset is equal to the higher of the "fair value net of disposal costs" and the "value in use".

The estimate of the value in use was carried out, in compliance with IAS 36, applying the principles of valuation best practice, by discounting the expected cash flows. The various expected cash flows, broken down by brand, are summarised in an average normal flow determined starting from the prospective data reported in the 2021-2025 Business Plan, approved by TISG's Board of Directors on 31 January 2022.

As regards the estimate of the terminal value, the extrapolation of the estimated flow to 2025 was assumed to be the long-term sustainable flow, appropriately adjusted to take into account an adequate level of long-term investments.

The 2021-2025 Business Plan incorporates some assessments on potential risk elements as well as counter-action and response actions.

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

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

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

- The weighted average cost of capital used to discount forecast cash flows (so-called WACC) of 11.70%;
- The growth rate used to estimate the residual value after the explicit forecast period (rate g), expressed in nominal terms and referring to the cash flows in functional currency, is 0.50%.

The growth rate in the terminal value " g " of the CGU was estimated taking into account the expected evolution in the explicit forecast period.

The results of the impairment tests on TISG's brands were approved by the Board of Directors on 31 January 2022.

In light of all the above elements, no impairment losses occurred in 2021; therefore, the book values are confirmed.

Note 2 – Other Intangible assets

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Development costs	864	823	41
TOTAL	864	823	41

Projects: this item, amounting to Euro 864 thousand at 31 December 2021, up by Euro 41 thousand compared to 31 December 2020, includes the Group's investments in the development of strategic projects, amortised over an estimated useful life of 5 years. In particular, for the recognition of these amounts in the financial statements, it emerged that, with regard to these projects:

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

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

Description (thousands of Euro)	Tecnomar EVO	Tecnomar for Lamborghini	Total
Net Book Value 31.12.2020	26	797	823
<i>Changes in 2021</i>			
Investments	0	378	378
Net decreases	0	(32)	(32)
Depreciation	(26)	(279)	(305)
Net Book Value 31.12.2021	0	864	864

The project of the **Tecnomar for Lamborghini 63** motor yacht, launched with joint design analysis sessions and developed by Tecnomar with the contribution of the Lamborghini Style Centre, continued to progress in 2021. The yacht is inspired by the Lamborghini Sián FKP 37, the hybrid super sports car with a completely custom design in terms of colours and details. The need to interpret the traits common to the DNA of both brands inspired all phases of the project, from the creation of the design lines to the definition of the technical characteristics.

During the year 2021, the first model was launched and delivered and numerous contracts were signed for the construction of new models.

The remaining amount refers to investments made in 2017 to develop the market for ships measuring approximately 35 meters, made primarily of aluminium. This is the "Tecnomar Evo" project that was developed to address a very high market segment.

Note 3 - Land and buildings

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Land and buildings	1,479	1,570	(91)
Buildings on land under concession	34,515	18,372	16,143
TOTAL	35,994	19,942	16,052

Land and buildings: amounting to Euro 35,994 thousand at 31 December 2021, increased by Euro 16,052 thousand compared to the previous year 2020 due to investments for the year of Euro 12,338 thousand, transfers of assets under construction for Euro 5,061 thousand, and depreciation for the year for Euro 1,347 thousand. The main increases in 2021 include the investments relating to the construction of the new Shed 6 for Euro 12,866 thousand and the new dry dock for Euro 3,111 thousand.

Description (thousands of Euro)	Land and buildings	Buildings on land under concession	Total
Historical cost	3,029	27,230	30,259
Depreciation provision	1,459	8,858	10,317
Net Book Value 31.12.2020	1,570	18,372	19,942
Changes in 2021			
Investments	0	12,338	12,338
Decreases	0	0	0
Transfers Work in progress and payments on account	0	5,061	5,061
Chg. Historical cost 2021	0	17,399	17,399
Depreciation	91	1,256	1,347
Release of Depreciation provision	0	0	0
Chg. Depreciation provision 2021	91	1,256	1,347
Historical cost	3,029	44,629	47,658
Depreciation provision	1,550	10,114	11,664
Net Book Value 31.12.2021	1,479	34,515	35,994

Note 4 - Plant, machinery and equipment

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Work in progress and payments on account	8,409	10,213	(1,804)
Industrial and commercial equipment	2,153	1,411	742
Plant and machinery	16,588	9,921	6,667
Moulds	1,557	1,302	255
TOTAL	28,707	22,847	5,860

Work in progress and payments on account: amounting to Euro 8,409 thousand at 31 December 2021, decreasing by Euro 1,804 thousand compared to 31 December 2020, mainly related to works in progress for the construction of:

- **TISG 4.0 investments:** at 31 December 2021 the Group made investments, still in progress, for the project for a total of Euro 4,438 thousand. The aforementioned investments concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. The roofing of the entire original dry dock, the one built in 1973, is currently underway. The project is expected to be completed in the year 2022;
- **TISG 4.1 investments:** at 31 December 2021 the Group made investments, still in progress, for the project in question for a total of Euro 3,841 thousand. The investments concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. In detail, the investment involves the expansion of the shed located near the original basin, as well as of a number of structures and systems. This will allow the number of ships under construction to be expanded by 4 units. The main interventions are listed below:
 - Demolition of a metal shed 86x25 meters approximately, used as a support warehouse for naval refit activities;
 - Expansion of the existing construction basin cover shed (No. 5) through the construction of a new shed with a reinforced concrete structure, about 38 meters wide with a span and a width of 174 meters and a height of 25 meters, used for the construction and outfitting of pleasure yachts up to 90 meters long;
 - Extension of the eastern quay;
 - Construction of a single-storey box above ground with a metal structure adjacent to the sheds no. 5 and no. 6 instead of the planned 4-storey structure.

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

Investment in the project is expected to be completed by the end of 2022.

Industrial and commercial equipment: this item amounted to Euro 742 thousand at 31 December 2021, up by Euro 742 thousand compared to the previous year, net of depreciation for the year. In the 2021 financial year, the most significant investments mainly concerned the purchase of equipment for the accommodation of yachts on land.

Plant and machinery: this item, amounting to Euro 16,588 thousand at 31 December 2021 increased compared to the previous year by Euro 6,667 thousand net of depreciation for the year. In the 2021 financial year, the works relating to the modernization of the sinkable basin were completed, which allows the launch of new orders as well as the carrying out of numerous refitting works.

Moulds: this item, amounting to Euro 1,557 thousand as of 31 December 2021, increased, compared to 2020, by Euro 255 thousand net of the depreciation for the year. In particular, this refers to moulds purchased for different stages of the production of the Tecnomar for Lamborghini 63 models.

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

Description (thousands of Euro)	Work in progress and payments on account	Industrial and commercial equipment	Plant and machinery	Moulds	Total
Historical cost	10,213	7,682	34,483	4,606	56,984
Depreciation provision	0	6,272	24,562	3,303	34,137
Net Book Value 31.12.2020	10,213	1,410	9,921	1,303	22,847
Changes in 2021					
Investments	7,209	1,230	4,496	422	13,358
Decreases	0	0	788	0	788
Transfers	(9,013)	66	3,886	0	(5,061)
Chg. Historical cost 2021	(1,804)	1,296	7,594	422	7,508
Depreciation	0	553	1,518	168	2,239
Release of Depreciation provision	0	0	591	0	591
Chg. Depreciation provision 2021	0	553	927	168	1,648
Historical cost	8,409	8,978	42,077	5,028	64,492
Depreciation provision	0	6,825	25,489	3,471	35,785
Net Book Value 31.12.2021	8,409	2,153	16,588	1,557	28,707

Note 5 - Other tangible assets

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Office furniture and machines	1,496	1,613	(117)
Cars	143	32	111
Transport vehicles	3	3	0
Electronic office machines	0	0	0
TOTAL	1,642	1,648	(6)

This item amounted to Euro 1,642 thousand at 31 December 2021, decreasing by Euro 6 thousand from 2020, net of depreciation for the year. The decrease mainly depends on the depreciation for the year partially mitigated by some increases related to the creation of the TISG Academy.

Description (thousands of Euro)	Office furniture and machines	Cars	Transport vehicles	Total
Historical cost	3,042	224	224	3,490
Depreciation provision	1,429	193	221	1,843
Net Book Value 31.12.2020	1,613	31	3	1,647
Changes in 2021				
Investments	160	144	29	333
Decreases	0	0	28	28
Transfers	0	0	0	0
Chg. Historical cost 2021	160	144	1	305
Depreciation	277	32	1	310
Release of Depreciation provision	0	0	0	0
Chg. Depreciation provision 2021	277	32	1	310
Historical cost	3,202	368	225	3,795
Depreciation provision	1,706	225	222	2,153
Net Book Value 31.12.2021	1,496	143	3	1,642

Note 6 - Right-of-Use

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Right Of Use - Plant and Machinery	453	645	(192)
Right Of Use - Cars	2,221	988	1,233
Right Of Use - Leased buildings	0	975	(975)
Right Of Use - Buildings under state concession	6,215	6,498	(283)
TOTAL	8,889	9,106	(217)

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 of plant and machinery, amounting to Euro 453 thousand at 31 December 2021, down by Euro 192 thousand compared to 31 December 2020, includes the agreements to lease a milling machine, 2 Hyster trolleys, a bending machine and a lathe, needed for the production of steel, as well as the fire detection system, 2 lifters, and a cutting and water jet system for the steel laboratory.

The item ROU motor vehicles, equal to Euro 2,221 thousand at 31 December 2021, up by Euro 1,233 thousand compared to 31 December 2020, includes all the leases of the cars that make up the corporate fleet.

The item ROU Buildings under lease, equal to Euro 0 thousand at 31 December 2021, refers to the sub-lease agreement regarding a property for industrial use located in Massa used by TISG for the construction of the hull of a 77 metre yacht completed in October 2021.

The item ROU Buildings under state concession, equal to Euro 6,215 thousand at 31 December 2021, refers to the recognition of the discounted value of the state concession issued by the Port System Authority of the Eastern Ligurian Sea - Ports of La Spezia and Marina di Carrara, whose expiry, as a result of Decree Law no. 34 of 19 May 2020, converted into law with amendments by Law no. 77 of 17 July 2020, Article 199, was postponed to 2043.

The table of changes is shown below:

Description (thousands of Euro)	Right Of Use Motor Vehicles	Right Of Use Plant and Machinery	Right Of Use Buildings	Right Of Use Buildings under state concession	Total
Historical cost	1,434	1,109	1,033	7,851	11,427
Depreciation provision	447	464	57	1,353	2,321
Net Book Value 31.12.2020	988	645	975	6,498	9,106
Changes in 2021					
Investments	2,119	41	0	0	2,200
Decreases	637	0	1,033	0	1,710
Transfers	0	0	0	0	0
Chg. Historical cost 2021	1,482	41	(1,033)	0	490
Depreciation	518	233	129	283	1,162
Release of Depreciation provision	269	0	186	0	455
Chg. Depreciation provision 2021	249	233	(57)	283	707
Historical cost	2,917	1,149	0	7,851	11,917
Depreciation provision	695	697	0	1,635	3,027
Net Book Value 31.12.2021	2,221	453	0	6,215	8,889

Note 7 - Equity investments

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Equity investments in subsidiaries	0	0	0
Equity investments in other companies	43	43	0
TOTAL	43	43	0

The item "equity investments in other companies" includes the investment for the purchase of 250 shares, equal to 2.5% of the total share capital, of TISG Asia Limited, based in Hong Kong, carried out in 2017.

Note 8 - Other non-current assets

This item is composed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Non-current security deposits	55	1,063	(1,008)
Other securities	364	232	132
Receivables from CELI for long-term tax transaction	3,803	1,209	2,594
TOTAL	4,222	2,504	1,718

The item, which increased compared to 2020 by Euro 1,718 thousand, is detailed as follows:

- **Security deposits:** the item, amounting to Euro 55 thousand, decreased by Euro 1,008 thousand due to the closure of an escrow account in Malta following the conclusion of a litigation (see what described in the chapter on risks);
- **Other securities:** the item recorded for Euro 364 thousand at 31 December 2021, relates to a contract signed with Unicredit for the custody and administration of securities and insurance instruments called Unibonus Business;
- **Receivables from CELI for tax settlement:** the item refers to the long-term portion of the Group's receivable from the related company CELI as part of the Tax Settlement agreed upon by CELI and TISG with the Revenue Agency in October 2020, for which TISG has already advanced Euro 8,080 thousand to the Revenue Agency on behalf of CELI. This amount will be repaid by CELI to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per year, starting from 30 June 2021 until 31 December 2030.

Note 9 - Cash and cash equivalents

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Bank and post office deposits	85,614	17,942	67,672
Cash	1	1	0
TOTAL	85,615	17,943	67,672

The item Bank and post office deposits at 31 December 2021 amounted to a total of Euro 85,615 thousand, an increase of Euro 67,672 compared to 31 December 2020

Note 10 – Trade receivables

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Receivables from customers	10,236	14,616	(4,380)
TOTAL	10,236	14,616	(4,380)

Receivables from customers, amounting to Euro 10,236 thousand, decreased by Euro 4,380 thousand compared to 31 December 2020, are mainly related to the invoicing of orders in progress, refit services and other activities. Recognition in the financial statements is carried out at their estimated realisable value.

Changes in the bad debt provision are shown below:

Description (thousands of Euro)	31.12.2020	Provision made	Provision used	31.12.2021	Changes
Bad debt provision (trade receivables)	(228)	287	55	(460)	(232)
Bad debt provision (competition procedures)	(371)	0	0	(371)	0
TOTAL	(599)	287	55	(831)	(232)

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

Note 11 - Other receivables

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Advances to suppliers	1,585	1,181	404
Receivables from PERINI NAVI S.P.A. BANKRUPTCY	8,000	0	8,000
Receivables from parent companies	67	38	29
Tax receivables	687	78	609
TOTAL	10,339	1,297	9,042

The item **Advances to suppliers**, amounting to Euro 1,585 thousand at 31 December 2021, increased by Euro 404 thousand compared to 31 December 2020, includes advances paid to suppliers with whom tender contracts were signed for work in progress.

The **receivable from PERINI NAVI S.P.A. BANKRUPTCY**, at 31 December 2021 for Euro 8,000 thousand, refers to the amount that the Group, through its subsidiary New Sail S.r.l., has paid into the Perini Navi S.p.A. bankruptcy proceedings to participate in the bankruptcy auction for the purchase of the Perini Navi S.p.A. business complex. This amount was required by the receivership as a security deposit, a necessary prerequisite for participation in the auction.

The **Receivable from parent companies**, recognised at 31 December 2021 for Euro 67 thousand, refers to payments made by TISG on behalf of the parent company GC Holding S.p.A..

Tax receivables: this item, amounting to Euro 687 thousand at 31 December 2021, refers to VAT receivables from the Tax Authority.

Note 12 – Assets and liabilities from contract work in progress

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Assets from contract work in progress	41,337	22,549	18,788
Liabilities from contract work in progress	(16,345)	(8,845)	(7,500)
TOTAL	24,992	13,704	11,288

The item "assets from contract work in progress", amounting to Euro 24,992 thousand, includes construction contracts whose progress is higher than the amount invoiced to the customer. Compared to 31 December 2020, this item increased by Euro 18,788 thousand. This increase is mainly attributable to the trend of the order curves which, in 2021, resulted in lower SAL invoices compared to the recognition of the corresponding production costs.

The item "liabilities from contract work in progress", equal to Euro 16,345 thousand, includes contracts for which the value of payments on account invoiced to the customer are higher than the work progress. Compared to 31 December 2020, an increase of approximately Euro 7,500 thousand was reported.

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

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

The development of this item at 31 December 2021 and at 31 December 2020 for yachts under contract is shown below:

Description (thousands of Euro) 31.12.2020	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	597,247	181,213	(168,355)	12,858
Refitting orders	8,204	5,696	(4,850)	846
Total	605,451	186,909	(173,205)	13,704

Description (thousands of Euro) 31.12.2021	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	807,726	305,475	(281,087)	24,388
Refitting orders	18,948	9,934	(9,331)	603
Total	826,673	315,409	(290,418)	24,992

At 31 December 2021, the Group is carrying out the construction of 27 yachts (including 13 Tecnomar for Lamborghini 63 motor-yachts) and is carrying out Refit services on 14 yachts (including the completion of two yachts previously under construction at Perini Navi S.p.A.).

Note 13 - Inventories

This item is composed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Raw materials, supplies and consumables	276	211	65
Work in progress and semi-finished products	974	348	626
Finished products and goods	0	2,200	(2,200)
TOTAL	1,250	2,759	(1,509)

The item **Raw materials, supplies and consumables**, amounting to Euro 276 thousand, increased by Euro 65 thousand compared to 2020, refers to the amount of inventories of the general warehouse of TISG, the internal steel laboratory and the warehouse "Food and beverage" of the Village.

Work in progress and semi-finished products at 31 December 2021 amounted to Euro 974 thousand, an increase of Euro 626 thousand compared to 31 December 2020 as a result of the costs incurred for the construction of 1 Tecnomar for Lamborghini 63 motor yacht, built in order to have a model available in the company.

Finished products and goods at 31 December 2021 are zero, following the sale of a yacht that was received in exchange in 2020.

Note 14 - Other current assets

The breakdown of other current assets is shown below:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Receivables from employees	0	49	(49)
Receivables from social security and tax authorities	33	43	(10)
Due from others (net of the related write-down provision)	92	109	(17)
Receivables from GFM	144	143	1
Receivables from CANTALUPI Corrente	450	0	450
Receivables from CELI for tax transaction	475	134	341
Receivables from insurance companies	0	1,544	(1,544)
Prepaid expenses	1,190	1,299	(109)
TOTAL	2,384	3,321	(937)

Receivables from employees: these are zeroed following the offsetting of advance expenses or advances paid to some Group employees;

Receivables from social security and tax authorities: equal to Euro 33 thousand at 31 December 2021, refer primarily to advances on INAIL contributions.

Receivables from others: this item, amounting to Euro 92 thousand at 31 December 2021, down by Euro 17 thousand compared to 31 December 2020, includes a number of receivables net of the related provision for write-downs.

Receivables from GFM: this item, amounting to Euro 144 thousand at 31 December 2021, includes the receivable claimed by the Group in relation to two partial awards in favour of TISG, with payment of a total of approximately Euro 210 thousand, for the recoverability of which the lawyers of TISG have expressed a positive opinion. Not having paid GFM voluntarily, TISG acted for the recognition of these awards in Switzerland and an opposition by GFM is currently pending. The difference of Euro 67 thousand that makes up the request for Euro 210 thousand of TISG described above, is included in trade receivables due from customers.

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

The item **receivables from insurance companies** are zeroed, following the full payment of the indemnity due to the Group for the compensation of the reported damages concerning a yacht under construction.

The item **Prepayments**, equal to Euro 1,190 thousand, refers primarily to the calculation of the accruals of the insurance costs of the yard and of the builder risks of the yachts in production.

COMMENTS ON THE CONSOLIDATED MAIN LIABILITY ITEMS**Note 15 - Shareholders' Equity**

The Ordinary Shareholders' Meeting held on 5 March 2021 resolved to establish the Legal Reserve for Euro 4,350 thousand through the use of the Share premium reserve and to distribute the net profit for the year 2020 to the shareholder GC Holding S.p.A., equal to a total of Euro 6,235 thousand. The above-mentioned dividends were paid on 18 March 2021.

On 8 June 2021, the Parent Company began trading its shares on the MTA stock exchange, one portion of which was for sale by the major Shareholder and one portion for an increase in share capital. As a result of the placement, the share capital increased from 21,750,000 shares with a nominal value of Euro 1 per share to 53,000,000 shares with a nominal value of Euro 0.5 per share. The change in the share premium reserve derives from the placement of the aforementioned shares in the capital increase, net of the set-up of the legal reserve for Euro 4,350 thousand and of the listing costs related to the capital increase for Euro 1,957 thousand, which have been charged to a direct reduction of this reserve.

The breakdown of Shareholders' Equity is shown below:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Share capital	26,500	21,750	4,750
Share premium reserve	45,431	12,000	33,431
Legal reserve	4,350	0	4,350
Reserves and other retained earnings	285	235	50
Profit (loss) for the period	16,322	6,235	10,087
TOTAL	92,888	40,220	52,668

At 31 December 2021, the **Share Capital** of TISG stood at Euro 26,500 thousand consisting of 53,000,000 shares with a nominal value of Euro 0.5 per share, fully subscribed and paid up.

Note 16 - Provisions for risks and charges

Details of the changes and composition of the provisions for risks and charges from 31 December 2020 to 31 December 2021 are shown below:

CHANGES IN PROVISIONS FOR RISKS					
Description (thousands of Euro)	31.12.2020	Alloc.	Use	31.12.2021	Delta
Civil actions	1,194	150	(1,119)	225	(969)
Provision for risks of legal and employment disputes	122	0	(40)	82	(40)
Yacht guarantee fund	1,214	991	(114)	2,091	877
Risks for previous taxes	100	631	(72)	659	559
Other risks	9	0	0	9	0
TOTAL	2,639	1,772	(1,345)	3,066	427

Provision for civil actions

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

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

Provision for risks of legal and employment disputes

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

Yacht guarantee fund

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

Provision for previous taxes

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

Provision for other risks

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

Note 17 - Deferred taxes

Changes in deferred taxes are shown below:

in thousands of Euro	31/12/2021	31/12/2020	Changes
Provision for risks and charges	660	697	(37)
Losses carried forward	0	1,777	(1,777)
Others	2,499	293	2,206
Deferred tax assets	3,159	2,767	392

in thousands of Euro	31/12/2021	31/12/2020	Changes
Tangible assets	3,971	4,294	(323)
Brands	367	310	57
Others	0	3	(3)
Deferred tax liabilities	4,338	4,607	(269)
Net amount	(1,179)	(1,840)	661

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:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Liabilities for employee benefits	760	817	(57)
TOTAL	760	817	(57)

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

Note 19 - Long-term financial liabilities

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Payables to shareholders for long-term loans	0	3,095	(3,095)
Long-term bank payables	23,863	7,757	16,106
Lease liabilities - Motor vehicle long-term portion	1,759	690	1,069
Lease liabilities - Plant and machinery long-term portion	191	305	(114)
Lease liabilities - Buildings long-term portion	0	826	(826)
Lease liabilities - Buildings held under long-term state concession	5,565	5,742	(177)
Payables to other lenders	0	0	0
TOTAL	31,378	18,415	12,963

The item **Long term bank payables**, amounting to Euro 23,863 thousand, represents the amount maturing beyond the financial year 2022 of the medium and long term loans entered into in previous years and in the current year. The item increased by Euro 16,106 thousand following the complete disbursement of the syndicated loan agreement entered into with Unicredit and Deutsche Bank, called *TISG 4.0 Project* and a new loan agreement entered into with Banca MPS for Euro 10,000 thousand, executed by the Group to finance the new investment plan called *TISG 4.1*.

The items **Lease liabilities - Motor vehicles**, **Lease liabilities - Plant and Machinery** and **Lease liabilities - Leased Building** for Euro 1,759 thousand, Euro 191 thousand and Euro 0 at 31 December 2021 refer to the long-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities - Buildings held under state concession, amounting to Euro 5,565 thousand at 31 December 2021, 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.

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

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Payables to GC Holding S.p.A.	3,161	3,161	0	0
Banca Intesa payables (formerly Veneto Banca)	178	178	0	0
Unicredit payables	875	750	125	0
BPM payables	517	203	314	0
Pool payables (Unicredit - Deutsche Bank)	15,995	5,000	10,995	0
Banca Intesa payables	3,872	776	3,096	0
MPS payables	10,000	667	8,000	1,333
Right Of Use payable	8,226	711	2,838	4,677

Minor Financial Payables	34	34	0	0
Total	42,857	11,479	25,368	6,010

Note 20 - Other non-current liabilities

Details of other non-current liabilities are provided below:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Subsidised settlement - TER scrapping - long-term portion	486	1,157	(671)
TOTAL	486	1,157	(671)

The item **Subsidised settlement - TER scrapping**, amounting to Euro 486 thousand at 31 December 2021, includes the long-term part of the instalment plan signed with the Revenue Agency for all positions entered in the tax roll by 31 December 2017.

Note 21 - Trade payables

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Payables to suppliers within the following year	57,146	34,240	22,906
TOTAL	57,146	34,240	22,906

Payables to suppliers: this item, amounting to Euro 57,146 thousand at 31 December 2021, shows an increase of Euro 22,906 thousand compared to 31 December 2020, due to the significant increase in operating activities necessary for the work on the orders in progress, for the development of refit activities, and for the investments of the TISG 4.0 and TISG 4.1 projects.

Note 22 - Other payables

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Subsidised settlement - TER scrapping - short-term portion	590	1,119	(529)
Payables to social security institutions	1,400	1,692	(292)
Tax payables	3,634	1,899	1,735
TOTAL	5,624	4,710	914

The short-term portion of the **Subsidised Settlement - TER Scrapping**, recognised in the financial statements at 31 December 2021 for Euro 590 thousand, refers to the portion of the instalment in progress with the Revenue Agency for Collection due in 2022.

The item **Payables to social security institutions**, amounting to Euro 1,400 thousand at 31 December 2021, refers to the debt for contributions payable by the Company to INPS, for the month of December 2021, to INAIL, to Fasi and Previndai, to the Cometa Supplementary Fund and other minor funds.

The item **Tax payables**, equal to Euro 3,634 thousand at 31 December 2021, mainly includes payables to the tax authorities for IRES and IRAP 2021.

Note 23 - Short-term financial liabilities

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Payables to shareholders for short term loans	3,161	0	3,161
Short-term payables to banks	7,575	2,496	5,079
Lease liabilities - Motor vehicle short term portion	349	235	114
Lease liabilities - Plant and machinery short-term portion	184	269	(85)
Lease liabilities - Buildings short-term portion	0	160	(160)
Lease liabilities - Buildings held under state concession short-term portion	178	172	6
Short term payables to other lenders	33	38	(5)
TOTAL	11,480	3,370	8,110

Payables to shareholders for short term loans, amounting to Euro 3,161 thousand at 31 December 2021, refer to interest-bearing disbursements made by the sole shareholder of TISG, GC Holding S.p.A. The classification under long-term financial liabilities refers to the fact that GC Holding S.p.A. undertook not to request repayment of the loan before 31 December 2022. The increase compared to 31 December 2020 is represented by the interest accrued in the period in addition to the shift of the principal amount to be repaid within the next financial year. The item **Short-term payables to banks**, amounting to Euro 7,575 increased by Euro 5,079 thousand compared to 31 December 2020, includes the portion to be paid within the next financial year of the loans subscribed by the Group as well as advances on contracts and cash credit lines.

The items **Lease liabilities - Motor vehicles**, **Lease liabilities - Plant and Machinery** and **Lease liabilities - Leased Buildings**, for Euro 349 thousand, Euro 184 thousand and Euro 0, respectively, at 31 December 2021, related to the short-term portion of the financial indebtedness related to the application of IFRS 16.

Lease liabilities - Buildings under state concession, amounting to Euro 178 thousand, refer to the short-term portion of payables for the thirty-year state concession, in application of IFRS 16.

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

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

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Payables to GC Holding S.p.A.	3,161	3,161	0	0
Banca Intesa payables (formerly Veneto Banca)	178	178	0	0
Unicredit payables	875	750	125	0
BPM payables	517	203	314	0
Pool payables (Unicredit - Deutsche Bank)	15,995	5,000	10,995	0
Banca Intesa payables	3,872	776	3,096	0
MPS payables	10,000	667	8,000	1,333
Right Of Use payable	8,226	711	2,838	4,677
Minor Financial Payables	34	34	0	0
Total	42,857	11,479	25,368	6,010

Note 24 - Other current liabilities

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Accrued expenses	207	329	(122)
Other payables due within the next year	14,518	6,123	8,395
TOTAL	14,725	6,452	8,273

The item **Other payables**, amounting to Euro 14,518 thousand at 31 December 2021, increased by Euro 8,395 thousand compared to the previous year 2020 and is mainly composed as follows:

- payables to employees for holidays and leave accrued by them at 31 December 2021 in the amount of Euro 2,941 thousand;
- payable to a shipowner customer of TISG, for Euro 837 thousand at 31 December 2021, relating to the trade-in carried out in 2019 of a 45m Admiral yacht, established as part of a contract for the construction and sale of a 75m Admiral yacht. The aforementioned debt will be repaid through the reduction of the collection of the contractual partial completion stages of the superyachts in production;
- Tecnomar For Lamborghini deposits for Euro 10,652 thousand refers to the deposits paid by the respective customers upon the signing of contracts for the construction and sale of M/Y Tecnomar for Lamborghini;
- recognition at 31 December 2021 of the "MTM" of Euro 65 thousand, of derivative instruments aimed at hedging exposure to interest rate risk on the medium-term loan taken out with Unicredit for Euro 3 million and the TISG 4.0 Project loan taken out with a pool of banks composed of Unicredit and Deutsche Bank, for a total of Euro 20 million.

COMMENTS ON THE MAIN ITEMS OF THE CONSOLIDATED INCOME STATEMENT

Note 25 - Revenues

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Revenues from sales and services	174,767	122,232	52,535
Change in contract work in progress	11,287	(9,281)	20,568
Total operating revenues	186,054	112,951	73,103
Other revenues and income	5,448	6,116	(668)
Commissions	(4,825)	(1,853)	(2,972)
TOTAL	186,677	117,214	69,463

Revenues from sales and services, amounting to Euro 174,767 thousand at 31 December 2021, increased compared to the previous year by approximately Euro 52,535 thousand, following the subscription of 4 contracts for the production and sale of yachts between 40m and 100m in length and 7 contracts for motor yachts of around 20m under the Tecnomar for Lamborghini brand.

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

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Production and sale of yachts (Shipbuilding)	164,143	98,518	65,625
incidence on total operating revenues	88%	87%	84%
Refit Activities	21,912	14,433	7,479
incidence on total operating revenues	12%	13%	16%
Operating revenues	186,054	112,951	73,103

The **Other revenues and income**, equal to Euro 5,448 thousand at 31 December 2021, are detailed as follows:

- **insurance settlements** for an amount of Euro 3,565 thousand at 31 December 2021, refer to reimbursements paid in 2021 by the insurance companies for costs incurred by TISG in 2021, relating to claims for adverse weather events and damage to vehicles. In particular, the most significant accident took place in June 2019 with the fire that occurred to a Tecnomar Evo 120 yacht docked on the quay. The retrieval of recovery costs for the year 2021 in relation to the accident amounted to approximately Euro 3,767 thousand;
- **contingent assets** for Euro 1,134 thousand at 31 December 2021, which essentially refer to extraordinary income obtained following the successful conclusion of some disputes, thanks to the collection activities carried out by the Group's lawyers.

The **commissions payable**, recognised in the financial statements at 31 December 2021 for Euro 4,825, refer to the brokerage activities of some of the main brokers in the sector, which have collaborated with the Group for years to procure customers.

Note 26 - Raw materials, components and consumables

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Raw materials, consumables and goods	(44,939)	(27,304)	(17,635)
Short-term rentals	(236)	(388)	152
Changes in inventories of raw materials	65	(49)	114
Change in inventories of semi-finished and finished products	(1,574)	1,318	(2,892)
TOTAL	(46,684)	(26,423)	(20,261)

The item **costs for raw materials, consumables and goods**, amounting to Euro 44,939 thousand at 31 December 2021, up compared to the previous year of 2020 by Euro 17,635 thousand, includes all costs relating to the procurement of materials necessary for the development of the production activities.

Short-term rentals, amounting to Euro 236 thousand at 31 December 2021, refer to all costs incurred for the rental of equipment, forklifts and scaffolding for specific short periods strictly linked to production requirements, especially in the context of refit services.

The item **Changes in inventories of raw materials**, which represents a positive balance of Euro 65 thousand at 31 December 2021, is related to the increase in raw materials stored in the general, steel and Village warehouses.

The item **Change in inventories of semi-finished and finished products**, amounting to Euro 1,574 at 31 December 2020, refers to the sale of a yacht received in exchange during 2020 and to the recording of the cost incurred for the in-house production of a Tecnomar for Lamborghini model.

Note 27 - Cost for outsourced work

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Outsourced works	(71,278)	(44,703)	(26,575)
TOTAL	(71,278)	(44,703)	(26,575)

Costs for Outsourced work, equal to Euro 71,278 thousand at 31 December 2021, up by Euro 26,575 thousand compared to 31 December 2020, refers to production activities managed in outsourcing by specialised nautical sector companies.

In particular, they relate to marine carpentry services, turnkey furnishings of yachts and superyachts, electrical and plumbing work, and interior and exterior fittings of ships. The increase recorded in 2021 is linked to the development of growth for external lines, which involves the transfer, outside the Marina di Carrara shipyard, of the realisation of some processing phases such as those relating to the construction of the hull.

Note 28 – Services and technical consultancy

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Other services and consultancy	(3,006)	(4,221)	1,215
Legal, tax and notary consultancy	(2,030)	(1,149)	(881)
Independent Audit fees	(198)	0	(198)
TOTAL	(5,234)	(5,370)	136

The item **Other services and consultancy**, amounting to Euro 3,060 thousand at 31 December 2021, decreased by Euro 1,161 thousand compared to 2020 due to a lower number of design phases of the new mega yachts entrusted to external designers and architects.

The item **Legal, tax and notary consultancy**, amounting to Euro 2,174 thousand at 31 December 2021, includes the costs incurred for the management of legal activities, employment law advice, consultancy on the sector VAT regulations, as well as expenses for the notarial deeds for all contracts for the sale of yachts, extraordinary transactions and other advice. The item increased by Euro 1,025 thousand compared to 2020.

Note 29 - Other costs for services

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Transport costs	(655)	(87)	(568)
Maintenance costs	(222)	(398)	176
Supervision	(505)	(433)	(72)
Research costs	(1,744)	(620)	(1,124)
Miscellaneous administrative expenses	(159)	(140)	(19)
Utilities	(2,912)	(1,192)	(1,720)
Shipyard and yacht insurance	(1,976)	(950)	(1,026)
Cleaning and waste disposal costs	(196)	(482)	286
Sundry employee services	(375)	(593)	218
Advertising and entertainment expenses	(731)	(541)	(190)
Bank charges and commissions	(384)	(251)	(133)
Fuels	(33)	(20)	(13)
Telephone costs	(81)	(84)	3
Software interventions	(60)	(65)	5
Directors' remuneration	(492)	(1,098)	606
Board of Statutory Auditors	(31)	(26)	7
Independent Auditors	0	(19)	19
Supervisory Body	(17)	0	(17)
Reimbursement of Directors' expenses	(45)	0	(45)
Other expenses	(77)	(38)	(51)
TOTAL	(10,695)	(7,037)	(3,658)

Costs for **Utilities**, amounting to Euro 2,912 thousand at 31 December 2021, increased by Euro 1,720 thousand compared to the previous year, mainly as a result of the development of the business, the entry into operation of the Village facilities and energy consumption linked to investment management.

Sundry employee services, amounting to Euro 375 thousand at 31 December 2021, decreased by Euro 218 thousand compared to 2020 and mainly refer to services related to canteen and catering, managed in the company Village and for travel and business trips for the start-up of the foreign outsourcing of the production of structural work and some commercial trips.

Note 30 - Personnel Costs

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

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
For personnel	(14,740)	(11,049)	(3,691)
Social security charges	(5,330)	(4,345)	(985)
Severance indemnity	(957)	(724)	(233)
Other costs	(1,090)	(763)	(327)
TOTAL	(22,117)	(16,881)	(5,236)

The average number of TISG employees in 2021 was 366 as follows:

Average number	2021	2020
Executives	19	15
Office staff	216	118
Workers	131	145
TOTAL	366	278

The number of employees at 31 December 2021 was 401, broken down as follows:

Precise number at 31 December	2021	2020
Executives	19	18
Office staff	243	165
Workers	139	125
TOTAL	401	308

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

Note 31 - Other operating costs

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Provision for risks	(1,773)	(1,112)	(661)
Contingent liabilities	(527)	(429)	(98)
Losses on receivables	0	0	0
IMU - Tasi	(230)	(123)	(107)
Municipal taxes	(287)	(31)	(256)
Branding	(769)	(320)	(449)
Other operating costs	(96)	(248)	152
TOTAL	(3,682)	(2,263)	(1,419)

The item **Provisions for risks**, equal to Euro 1,773 thousand at 31 December 2021, mainly refers to the provision to the guarantee fund for yachts in production, in the amount of Euro 992 thousand and a provision for municipal taxes of Euro 630 thousand.

Contingent liabilities, equal to Euro 527 thousand at 31 December 2021, 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.

Note 32 - Amortisation, depreciation and write-downs

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Depreciation of tangible fixed assets	(4,998)	(3,685)	(1,313)
Amortisation of intangible fixed assets	(346)	(256)	(90)
Write-downs and losses on receivables	(403)	(823)	420
TOTAL	(5,747)	(4,764)	(983)

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

For the item **Write-downs and losses on receivables**, please refer to the previous **note 10**.

Note 33 - Financial income and charges

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Other financial income	187	28	159
Interest expense to banks and others	(2,888)	(1,646)	(1,242)
Interest expense on interest-bearing loan to shareholders	(66)	(66)	0
Interest expense on Lease liabilities	(321)	(279)	(42)
TOTAL	(3,088)	(1,963)	(1,125)

Note 34 - Income taxes

The reconciliation table of the tax burden is shown below:

Description (thousands of Euro)	31.12.2021	31.12.2020
Theoretical IRES rate	24.00%	24.00%
Profit before taxes	18,162	7,987
THEORETICAL IRES		
Total increases	5,000	3,441
Total decreases	-8,106	-3,098
Taxable income	-15,057	-8,330
Effect of tax losses usable at 80%	7,506	6,664
ACE	1,051	185
Net taxable income	-6,500	-1,481
IRES 24%	- 1,560	- 355
IRAP	- 923	- 409
taxes from previous years	0	-20
Total current taxes	- 2,483	- 784
Deferred tax assets/liabilities	653	-969
Contingent assets from Patent Box application	0	178
TOTAL TAXES	-1,831	-1,575

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

Note 35 – Gains/(losses) from remeasurement of liabilities to defined benefit plans.

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

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

SUMMARY OF THE ECONOMIC TECHNICAL BASIS	31.12.2021	31.12.2020	31.12.2019
Annual discount rate	0.29%	-0.08%	0.17%
Annual inflation rate	1.75%	0.80%	1.20%
Annual rate of increase in severance indemnity	2.81%	2.10%	2.40%

In particular, it should be noted that:

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

The technical demographic bases used are shown below:

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

Additional information:

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

Sensitivity analysis of the main valuation parameters	
THE ITALIAN SEA GROUP S.P.A.	DBO 31.12.21
Turnover rate +1%	724,409.71
Turnover rate -1%	732,804.89
Inflation rate +0.25%	734,829.77
Inflation rate -0.25%	722,112.39
Discount rate +0.25%	718,608.03
Discount rate -0.25%	738,505.79

Service Cost and Duration	
THE ITALIAN SEA GROUP S.P.A.	
Service Cost 2021	17,795.39
Duration	7.22

Estimated future disbursements	
Years	Expected disbursements
1	97,875.66
2	84,712.64
3	101,743.99
4	66,117.72
5	67,143.65

Note 36 - Cash flow hedges

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

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

In the case of the derivatives stipulated by The Italian Sea Group S.p.A. with Unicredit during 2019 and with Unicredit and Deutsche in relation to the TISG 4.0 project loan, the Cash Flow Hedge is attributable to the exposure to interest rate risk on the medium term loan, for an initial nominal value of Euro 3 million and a value of Euro 9.6 million and Euro 6.4 million, respectively.

OTHER INFORMATION

COMMITMENTS AND RISKS

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

RELATED PARTY TRANSACTIONS

Below is a list of the main Related Parties with which transactions took place in 2021 and the type of relationship:

List of related parties	Correlation relationship
GC HOLDING S.P.A.	62.5% PARENT COMPANY OF TISG
TISG Turkey YTAS	100% SUBSIDIARY OF GC HOLDING
GMC Architecture S.r.l. S.t.p.	GC HOLDING INVESTEE COMPANY
CELI S.r.l.	RELATED PARTY OF TISG
SANTA BARBARA	RELATED PARTY OF TISG

Transactions with related parties during the year at 31 December 2021 are shown below:

BALANCE SHEETS (thousands of Euro)	GC Holding	TISG Turkey	GMC ARCHITECTURE	CELI S.r.l.	Santa Barbara
SECURITY DEPOSITS		23			
FINANCIAL RECEIVABLES	67			4,279	
TRADE RECEIVABLES		1,027		552	0
TOTAL RECEIVABLES	67	1,050	0	4,831	0
FINANCIAL PAYABLES	3,161				
TRADE PAYABLES		1,058	8	605	0
TOTAL PAYABLES	3,161	1,058	8	605	0
INCOME STATEMENT (thousands of Euro)	GC Holding	TISG Turkey	GMC ARCHITECTURE	CELI S.r.l.	Santa Barbara
COSTS FOR PROCESSING		3,177		6,074	0
COSTS FOR CONSULTANCY			113		
COSTS FOR SERVICES		270			
INTEREST EXPENSE	66				
TOTAL COSTS	66	3,447	113	6,074	0
REVENUES FROM SALES		1,286	0	652	61
INTEREST INCOME				139	
TOTAL REVENUES	0	1,286	0	791	61

GC HOLDING S.p.A.: the financial payables to the parent company GC Holding refer entirely to the interest-bearing loan disbursed by the shareholder GC Holding to the Group in 2018. Specifically, the principal payable amounted to Euro 2,880 thousand, while the interest accrued

at 31 December 2021 amounted to Euro 281 thousand, of which Euro 66 thousand pertaining to the year 2021.

TISG Turkey YTAS: TISG has commissioned TISG Turkey to build steel and aluminium hulls for yachts. Specifically, the contract was commissioned for the construction of the hull and superstructure of the motor yacht 597 under the Admiral brand with a length of 100 meters, to be completed by 31 October 2022.

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

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

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

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

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

Pursuant to this agreement, at 31 December 2021, TISG has paid the Exchequer on behalf of CELI Euro 8,080 thousand, in settlement of the entire amount stated in the Tax Settlement (this amount includes Euro 104 thousand of CELI's tax debts); of this amount, CELI has already repaid Euro 3,801 thousand to TISG. The residual receivable at 31 December 2021 in the amount of Euro 4,279 thousand will be repaid by CELI to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per annum, starting from 30 June 2021 until 31 December 2030. CELI repaid the instalments according to the repayment plan on 31 December 2021.

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

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

Santa Barbara: In 2021 TISG has carried out a supply of specialised technical services on behalf of Santa Barbara.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In 2021, no significant non-recurring transactions were carried out, as defined by Consob Communication no. DEM/6064293 of 28 July 2006, other than those described in the report on operations in the section significant events that occurred in 2021.

TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In 2021, the Group did not carry out any significant atypical and/or unusual transactions, as defined by Consob Communications no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006, other than those described in the explanatory notes and in the report on operations.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD

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

AUTHORISATION TO PUBLISH

This document was published on 7 April 2022 upon authorisation of the Chair and Chief Executive Officer.

Earnings per share

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

Description (thousands of Euro)	31/12/2021	31/12/2020
Net result	16,321.90	6,235.00
Profit attributable to ordinary shares	16,321.90	6,235.00
Average number of ordinary shares in circulation	53,000	21,750
Earnings per ordinary share	0.31	0.29
Adjusted average number of ordinary shares	53,000	21,750
Diluted earnings per ordinary share	0.31	0.29

DIRECTORS AND AUDITORS REMUNERATION

The total remuneration due for the year 2021 to the Directors and Statutory Auditors of TISG S.p.A., for the performance of these functions in the Parent Company, amounts to Euro 492 thousand for the Directors and Euro 31 thousand for the Statutory Auditors. For a complete and detailed description of the remuneration paid to Directors, reference should be made to the Remuneration Report, available at the Company's registered office and on the website of the Parent Company.

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

Pursuant to Article 149-duodecies of the Issuers' Regulation, it should be noted that the total fees due to BDO Italia S.p.A. and the BDO network for the audit of the 2021 Annual Financial Report, as well as the fees for the year 2021 for other audit/verification services and other non-audit services provided to the Group are summarised in the table below:

Description (thousands of Euro)	31/12/2021
Fees for the Listing Transaction	138
Fees for the limited audit at 31.03.21	14
Fees for the audit	47
TOTAL	198

Certification by the Manager in charge of preparing the corporate accounting documents**CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED 1.**

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

- a) the financial statements have been drawn up in a manner consistent with the administrative/accounting system and with the group structure;
- b) their adequacy has been verified;
- c) the administrative and accounting procedures for the preparation of the consolidated financial statements were duly applied during the period 1 January 2021 - 31 December 2021 to which the financial statements refer.

2. In this regard, no significant aspects emerged.

3. It is also certified that:

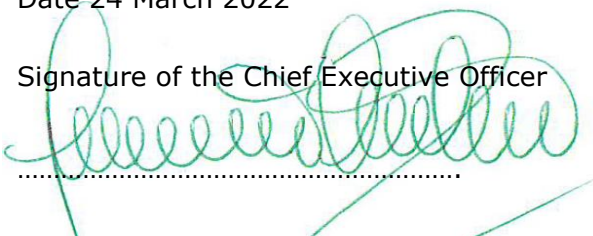
3.1 The Consolidated Financial Statements at 31 December 2021

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

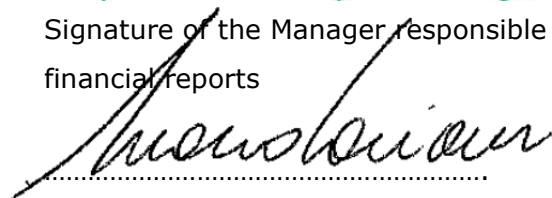
3.2 The report on operations includes an accurate analysis of the performance and operating result as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Date 24 March 2022

Signature of the Chief Executive Officer



Signature of the Manager responsible for preparing the financial reports



FINANCIAL STATEMENT SCHEDULES OF THE PARENT COMPANY AT 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

thousands of Euro	notes	31/12/2021	31/12/2020
ASSETS			
NON-CURRENT ASSETS			
Brands	1	3,554	3,554
Other intangible assets	2	863	823
Land and buildings	3	35,994	19,942
Plant, machinery, equipment and investments in progress	4	28,708	22,847
Other tangible assets	5	1,642	1,648
Right Of Use	6	8,889	9,106
Equity investments	7	53	43
Other non-current assets	8	4,222	2,504
Total non-current assets		83,925	60,467
CURRENT ASSETS			
Cash and cash equivalents	9	85,605	17,943
Trade receivables	10	10,236	14,616
Other receivables	11	10,348	1,297
Assets from contract work in progress	12	41,336	22,549
Inventories	13	1,250	2,759
Other current assets	14	2,384	3,321
Total current assets		151,159	62,485
TOTAL ASSETS		235,084	122,952
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDERS' EQUITY			
Share capital		26,500	21,750
Share premium reserve		45,431	12,000
Reserves and other retained earnings		4,635	235
Profit (loss) for the year		16,332	6,235
Total Shareholders' Equity	15	92,898	40,220
NON-CURRENT LIABILITIES			
Provisions for risks and charges	16	3,066	2,639
Deferred tax liabilities	17	1,178	1,840
Provision for employee benefits	18	760	817
Long-term financial liabilities	19	31,378	18,415
Other non-current liabilities	20	486	1,404
Total non-current liabilities		36,868	25,115
CURRENT LIABILITIES			
Trade payables	21	57,146	34,240
Other payables	22	5,623	4,710
Short-term financial liabilities	23	11,479	3,370
Liabilities from contract work in progress	12	16,345	8,845
Other current liabilities	24	14,725	6,452
Total current liabilities		105,318	57,617

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	235,084	122,952
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INCOME STATEMENT OF THE PARENT COMPANY

INCOME STATEMENT BY NATURE

thousands of Euro	notes	31/12/2021	31/12/2020
Operating revenues		186,054	112,951
Other revenues and income		5,448	6,116
Commissions		(4,825)	(1,853)
Total Revenues	25	186,677	117,214
Raw materials, components and consumables	26	(46,684)	(26,423)
Cost for outsourced work	27	(71,278)	(44,703)
Technical services and consultancy	28	(5,234)	(5,370)
Other costs for services	29	(10,695)	(7,037)
Personnel costs	30	(22,117)	(16,881)
Other operating costs	31	(3,682)	(2,263)
Total operating costs		(159,690)	(102,677)
Operating result before amortisation, depreciation and write-downs		26,987	14,537
Amortisation, depreciation and write-downs	32	(5,747)	(4,764)
Operating result		21,240	9,773
Financial income	33	197	28
Financial charges	33	(3,275)	(1,991)
Profit (loss) for the year before income taxes		18,162	7,810
Income taxes	34	(1,831)	(1,575)
Profit (loss) for the year		16,332	6,235
Earnings per ordinary share		0.31	0.29
Diluted earnings per ordinary share		0.31	0.29

COMPREHENSIVE INCOME STATEMENT OF THE PARENT COMPANY

COMPREHENSIVE INCOME STATEMENT BY NATURE

Profit/(loss) for the year		16,332	6,235
Gains/(losses) on remeasurement of defined benefit employee plan liabilities	35	(31)	(9)
Change in fair value of hedging derivatives	35	81	103
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR (A) + (B)		16,382	6,123

CASH FLOW STATEMENT OF THE PARENT COMPANY

<i>thousands of Euro</i>	31/12/2021	31/12/2020
INCOME MANAGEMENT ACTIVITIES		
Profit for the period before taxes	18,162	7,810
Net interest	(3,144)	2,030
Provision for charges and risks	1,773	1,112
Provision for severance indemnity	957	723
Adjustments for:		
Amortisation, depreciation and write-downs of fixed assets	4,199	3,941
Capital gains/(losses)	(36)	(7)
Other provisions and write-downs (revaluations)	296	821
Changes in assets and liabilities:		
Receivables from customers	4,084	(2,933)
Inventories and contract works in progress	(9,778)	8,012
Other management activities	(8,033)	(1,260)
Payables to suppliers	21,649	11,161
Other operating payables	8,268	(511)
Severance indemnity	(1,014)	(798)
Provisions for risks and charges	(2,008)	(406)
Taxes paid	(1,831)	(637)
Interest paid	(3,078)	(1,320)
Cash flow from income management activities	36,754	27,738
INVESTMENT ACTIVITIES		
Purchase of tangible assets	(23,424)	(11,830)
Disposal of tangible assets	36	7
Purchase of intangible assets	(346)	(378)
Purchase of equity investments	(10)	0
Receivable from CELI	(3,411)	(1,343)
Others	880	(148)
Cash flow from investment activities	(26,275)	(13,692)
FINANCING ACTIVITIES		
Capital contributions	4,750	0
Payment of Share Premium Reserve	41,851	0
Payment of IPO Charges	(2,027)	0
Payment of dividends	(6,235)	0
Raising M/L term loans	27,000	7,000
Repayment of M/L term loans	(5,391)	(5,350)
Repayment of loans to others	(2,339)	(980)
Net change in other sources of short-term financing	(426)	(2,528)
Cash flow from financing activities	57,183	(1,858)
TOTAL CASH FLOWS FOR THE PERIOD	67,662	12,188
OPENING CASH AND CASH EQUIVALENTS	17,943	5,755
FINAL CASH AND CASH EQUIVALENTS	85,605	17,943

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

Figures in thousands of Euro	Values at	Allocation of income	Result for the year	Other changes	Total profit/(loss)	Values at
	31/12/19	31/12/19	31/12/20	31/12/20	31/12/20	31/12/20
SHARE CAPITAL	21,750					21,750
SHARE PREMIUM RESERVE	12,000					12,000
RESERVES AND OTHER RETAINED EARNINGS	82	429			(112)	235
PROFIT (LOSS) FOR THE PERIOD	429	(429)	6,235			6,235
TOTAL NA	34,097	0	6,235	0	(112)	40,220

Figures in thousands of Euro	Values at	Allocation of income	Result for the year	Other changes	Total profit/(loss)	Values at
	31/12/20	31/12/20	31/12/21	31/12/21	31/12/21	31/12/21
SHARE CAPITAL	21,750			4,750		26,500
SHARE PREMIUM RESERVE	12,000			33,431		45,431
RESERVES AND OTHER RETAINED EARNINGS	235			4,350	50	4,635
PROFIT (LOSS) FOR THE PERIOD	6,235	(6,235)	16,332			16,332
TOTAL NA	40,220	(6,235)	16,332	42,531	50	92,898

EXPLANATORY NOTES

CONTENT AND FORM OF THE FINANCIAL STATEMENTS

These explanatory notes were prepared on the basis of the accounting records updated at 31 December 2021. The purpose of this document is to illustrate, analyse and, in some cases, supplement the data indicated in the financial statements.

The financial statements at 31 December 2014 were the first financial statements of the Company prepared in compliance with the International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. The financial statements formats adopted are consistent with those envisaged by IAS 1; in particular:

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

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

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

REPORTING BY OPERATING SECTOR

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

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

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

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

BUSINESS CONTINUITY

The financial statements for the year ended 31 December 2021 were prepared with a view to the continuation of the company's business as there is a reasonable expectation that TISG S.p.A. will continue its operating activities in the foreseeable future (and in any case with a time horizon of more than twelve months). In particular, the following factors were taken into consideration:

1. the main risks and uncertainties (for the most part of external origin) to which TISG is exposed:
 - the changes in the general macroeconomic situation in the Italian, European and non-EU markets as well as the volatility of the financial markets of the "Eurozone" also based on the outcome of:
 - the definitive exit of the United Kingdom from the EU;
 - the evolution of the pandemic caused by the SARS-CoV-2 virus;
 - the evolution of the conflict between Russia and Ukraine and of the sanctions imposed to the Russian Federation;
 - changes in business conditions, also in relation to competitive dynamics;
 - the outcomes of disputes and claims with regulatory authorities, competitors and other parties;
 - financial risks (trend in interest rates and/or exchange rates, changes in creditworthiness by rating agencies);
2. the mix considered to be optimal between risk capital and debt capital as well as the policy for the remuneration of the risk capital, as described in the Note "Shareholders' Equity";
3. the financial risk management policy (market risk, credit risk and liquidity risk), as described in the Note "Financial Risk Management".

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

INTRODUCTION

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

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

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

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

ACCOUNTING STANDARDS AND VALUATION CRITERIA

The financial statements at 31 December 2021 were prepared in compliance with the International Accounting Standards (IFRS), in force at the reporting date, issued by the International Accounting Standards Board and adopted by the European Union. Account was also taken of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

The comparison between the figures of the statement of comprehensive income, the statement of financial position, the cash flow statement and the changes in shareholders' equity is always expressed in thousands of Euro, except in the cases indicated individually and otherwise, and is carried out with the corresponding values at 31 December 2020.

The accounting standards adopted in the preparation of these financial statements are consistent with those adopted in the preparation of the financial statements at 31 December 2020, with the exception of the adoption of the new or revised standards of the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

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 2021

Pursuant to IAS 8 (Accounting Standards, changes in accounting estimates and errors), the IFRS in force as from 1 January 2021 are indicated and briefly described below:

Document title	Issue date	Date of entry into force	Date of approval	EU Regulation and date of publication
Reform of the benchmarks for determining interest rates – phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).	August 2020	1 January 2021	13 January 2021	(EU) 2021/25 14 January 2021
Concessions on fees related to COVID-19 subsequent to 30 June 2021 (Amendment to IFRS 16)	March 2021	1 April 2021 ²	30 August 2021	(EU) 2021/1421 31 August 2021
Temporary extension from the application of IFRS 9 (Amendments to IFRS 4)	June 2020	1 January 2021	15 December 2020	(EU) 2020/2097 16 December 2020

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

Accounting standards, amendments and interpretations not yet applied or applicable

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

The following amendments are effective from the financial year starting on 1 January 2022:

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

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

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

² The IASB document enters into force starting from financial years starting on or after 1 April 2021, but early application is also permitted for financial statements not authorized for publication by 31 March 2021 (date of publication of the amendment to IFRS 16). The European Union approval regulation published in August 2021 provides that the amendment to IFRS 16 must be applied at the latest from 1 April 2021 for financial years starting from 1 January 2021.

- Definition of accounting estimates (Amendments to IAS 8); and
- Deferred taxes related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

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

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

The company is currently evaluating the impact of these new accounting standards and amendments. The 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 Company has not adopted in advance any standard, interpretation or improvement issued but not yet in force.

NON-CURRENT ASSETS

Intangible assets

Owned intangible assets acquired or produced internally are assets without physical substance recognised under assets, in accordance with IAS 38, only if identifiable, controllable, the cost

of which can be determined reliably and to the extent that they are capable of producing future economic benefits.

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

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

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

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

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

In order to determine the value in use, the expected cash flows are discounted at a rate that reflects the current market valuations of the time value of money and the specific risks of the asset not reflected in the estimates of cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital ("WACC").

When the value of the cash generating unit, including brands, is higher than the recoverable value, the difference is written down. When the reasons for the write-down no longer apply, the assets are revalued and the adjustment is charged to the income statement; the write-

back is carried out for an amount equal to the lower of the recoverable value and the carrying amount gross of the write-downs previously carried out.

Research costs are charged to the income statement in the period in which they are incurred. Costs for the development of new products and manufacturing processes are capitalised and recognised under intangible assets only if all the following conditions are met:

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

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

Tangible assets

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

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

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

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

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

Description	%
Buildings on land under concession	Expiry of the concession (31/12/2043)
Plant and machinery	6.67%-10%
Equipment	10%-25%
Office furniture and machines	12%
Electronic machines	20%

Motor vehicles

20%

Impairment losses on non-financial assets

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

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

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

Equity investments

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

Right Of Use - Lease liabilities

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

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

The lease liability is initially measured at the present value of the lease payments due over the term of the lease. In calculating the present value of the lease payments, the Company uses the lessee's marginal borrowing rate at the start date of the lease when the implicit interest rate of the lease cannot be easily determined. The variable payments due for the lease that do not depend on an index or a rate are recognised as costs in the period in which the event or circumstance that triggers the payments occurs. After the commencement date, the lease liability is measured at amortised cost using the effective interest rate method and restated when certain events occur.

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

CURRENT ASSETS

Inventories

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

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

Assets and liabilities from contract work in progress

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

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

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

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

For the purpose of a better presentation of the financial statements, the Directors decided to reclassify also the comparative data at 31 December 2020 so as to make the data comparable and to facilitate the reading of the financial statements for the users.

Trade receivables and other assets

Trade receivables and other current and non-current receivables are financial instruments, mainly relating to receivables from customers, not derivatives and not listed in an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the balance sheet under current assets, with the exception of those with a contractual maturity of more than twelve months from the reporting date, which are classified under non-current assets. These financial assets are recorded in the balance sheet assets when the Company becomes a party to the contracts connected to them and are eliminated from the balance sheet assets, when the right to receive the cash flows is transferred together with all the risks and benefits associated with the business sold. Trade receivables and other current and non-current receivables are originally recognised at their fair value and, subsequently, at amortised cost, using the effective interest rate, reduced for impairment. The amount of the write-down is measured as the difference between the book value of the asset and the present value of expected future cash flows. The value of the receivables is shown in the financial statements net of the related bad debt provision. Trade receivables and other current and non-current receivables are eliminated from the statement of financial position when the right to receive the cash flows is extinguished and all the risks and benefits associated with the holding of the asset are substantially transferred (referred to as "derecognition") or if the item is considered definitively unrecoverable after all the necessary recovery procedures have been completed. The approach adopted for the recognition of loan losses is prospective, focused on estimating the probability of future losses on loans, even in the absence of events that suggest the need to write down a credit position ("expected losses"). Although the provision allocated is deemed adequate, the use of different assumptions or the change in economic conditions, even more so in this period characterised by a negative economic situation, could be reflected in changes in the provision for credit risks.

Cash and cash equivalents

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

NON-CURRENT LIABILITIES

Provisions for risks and charges

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

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

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

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

Contingent assets and liabilities

Contingent liabilities consist of:

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

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

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

Employee benefits (Post-employment plans)

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

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

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

Financial liabilities

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

Payables and other liabilities are classified as current liabilities, unless the Company has the contractual right to settle its obligations at least after twelve months from the date of the financial statements. Financial liabilities are eliminated when they are extinguished, or when the obligation specified in the contract is fulfilled, cancelled or expired.

Derivatives

The derivative instruments finalised by TISG are aimed at hedging the exposure to interest rate risk on the medium-term loan stipulated with Unicredit in 2019 and on the medium-long term loan taken out with Unicredit - Deutsche during 2020.

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

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

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

CURRENT LIABILITIES

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

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

REVENUES

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

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

- 1) contract identification: this occurs when the parties approve the contract (with commercial substance) and identify their respective rights and obligations: in other words, the contract must be legally binding, the rights to receive goods and/or services can be clearly identified and in terms of payment and the company deems it probable that the payment will be received;
- 2) identification of performance obligations: the main performance obligations identified, i.e., promises to transfer goods and services that are distinct, are the sale of yachts and refit services;
- 3) determination of the transaction price: this is the total amount contracted with the counterparty, having regard for the entire duration of the contract; the company has

defined the contractual duration as that deriving from the time required to build the yacht;

- 4) allocation of the transaction price to the performance obligations: the allocation takes place in proportion to the progress of the work on the yachts;
- 5) revenue recognition: revenue is represented net of discounts, allowances, returns and recognised in relation to the characteristics of the type of revenue.

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

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

Invoices are issued according to the conditions set forth in the contract for each individual unit. In particular, a payment on account is established at the start of the contract, and invoices are subsequently issued on the achievement of specific partial completion stages (SALs).

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

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

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

Financial income

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

Accounting for government grants

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

COSTS

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

Financial charges

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

Dividends

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

Taxes

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

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

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

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

Quotation costs

In accordance with IAS 32, transaction costs related to an equity transaction are accounted for as a deduction from equity to the extent that they are marginal costs directly attributable to the equity transaction that would otherwise have been avoided. The costs of a capital transaction that is abandoned are recognised in the income statement.

In compliance with the above, the listing costs related to the listing on the MTA market on 8 June 2021 referring to the capital increase have been recognised as a direct reduction of shareholders' equity.

The amount of IPO costs not related to the capital increase was recognised in the income statement.

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

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

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

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

Use of estimates

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

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

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

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

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

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

COMMENTS ON THE MAIN ASSET ITEMS

Note 1 - Brands

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Brands	3,554	3,554	0
TOTAL	3,554	3,554	0

Description (thousands of Euro)	Admiral brand	Tecnomar brand	Total
Net Book Value 31.12.2020	2,319	1,235	3,554
Investments	0	0	0
Net decreases	0	0	0
Net Book Value 31.12.2021	2,319	1,235	3,554

Brands: This item, equal to Euro 3,554 thousand at 31 December 2021, unchanged compared to 31 December 2020, is composed of Euro 2,319 thousand for the purchase cost of the Admiral brand, incurred by The Italian Sea Group S.p.A. in 2011 and for Euro 1,235 thousand, from the purchase of the TECNOMAR brand from CELI S.r.l., which took place in December 2019.

Brands are tested for impairment indicators at least once a year. If the test shows an impairment loss, the Company records a corresponding write-down in the financial statements. This test was based on the comparison between the recoverable value of the brands and their book value posted in the financial statements.

The company has identified three CGUs (Cash Generating Units) corresponding to the three brands through which the company operated during the year ended 31/12/2021: Admiral, TECNOMAR and NCA Refit (internally generated brand with no net book value and therefore not subjected to impairment test).

Pursuant to the applicable accounting regulations, the "recoverable amount" of the asset is equal to the higher of the "fair value net of disposal costs" and the "value in use".

The estimate of the value in use was carried out, in compliance with IAS 36, applying the principles of valuation best practice, by discounting the expected cash flows. The various expected cash flows, broken down by brand, are summarised in an average normal flow determined starting from the prospective data reported in the 2021-2025 Business Plan, approved by TISG's Board of Directors on 31 January 2022.

As regards the estimate of the terminal value, the extrapolation of the estimated flow to 2025 was assumed to be the long-term sustainable flow, appropriately adjusted to take into account an adequate level of long-term investments.

The 2021-2025 Business Plan incorporates some assessments on potential risk elements as well as counter-action and response actions.

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

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

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

- The weighted average cost of capital used to discount forecast cash flows (so-called WACC) of 11.70%;
- The growth rate used to estimate the residual value after the explicit forecast period (rate g), expressed in nominal terms and referring to the cash flows in functional currency, is 0.50%.

The growth rate in the terminal value “ g ” of the CGU was estimated taking into account the expected evolution in the explicit forecast period.

The results of the impairment tests on TISG’s brands were approved by the Board of Directors on 31 January 2022.

In light of all the above elements, no impairment losses occurred in 2021; therefore, the book values are confirmed.

Note 2 – Other Intangible assets

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Development costs	864	823	41
TOTAL	864	823	41

Projects: this item, amounting to Euro 864 thousand at 31 December 2021, up by Euro 41 thousand compared to 31 December 2020, includes the Company's investments in the development of strategic projects, amortised over an estimated useful life of 5 years. In particular, for the recognition of these amounts in the financial statements, it emerged that, with regard to these projects:

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

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

Description (thousands of Euro)	Tecnomar EVO	Tecnomar for Lamborghini	Total
Net Book Value 31.12.2020	26	797	823
<i>Changes in 2021</i>			
Investments	0	378	378
Net decreases	0	(32)	(32)
Depreciation	(26)	(279)	(305)
Net Book Value 31.12.2021	0	864	864

The project of the **Tecnomar for Lamborghini 63** motor yacht, launched with joint design analysis sessions and developed by Tecnomar with the contribution of the Lamborghini Style Centre, continued to progress in 2021. The yacht is inspired by the Lamborghini Sián FKP 37, the hybrid super sports car with a completely custom design in terms of colours and details. The need to interpret the traits common to the DNA of both brands inspired all phases of the project, from the creation of the design lines to the definition of the technical characteristics.

During the year 2021, the first model was launched and delivered and numerous contracts were signed for the construction of new models.

The remaining amount refers to investments made in 2017 to develop the market for ships measuring approximately 35 meters, made primarily of aluminium. This is the “*Tecnomar Evo*” project that was developed to address a very high market segment.

Note 3 - Land and buildings

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Land and buildings	1,479	1,570	(91)
Buildings on land under concession	34,515	18,372	16,143
TOTAL	35,994	19,942	16,052

Land and buildings: amounting to Euro 35,994 thousand at 31 December 2021, increased by Euro 16,052 thousand compared to the previous year 2020 due to investments for the year of Euro 12,338 thousand, transfers of assets under construction for Euro 5,061 thousand, and depreciation for the year for Euro 1,347 thousand. The main increases in 2021 include the investments relating to the construction of the new Shed 6 for Euro 12,866 thousand and the new dry dock for Euro 3,111 thousand.

Description (thousands of Euro)	Land and buildings	Buildings on land under concession	Total
Historical cost	3,029	27,230	30,259
Depreciation provision	1,459	8,858	10,317
Net Book Value 31.12.2020	1,570	18,372	19,942
Changes in 2021			
Investments	0	12,338	12,338
Decreases	0	0	0
Transfers Work in progress and payments on account	0	5,061	5,061
Chg. Historical cost 2021	0	17,399	17,399
Depreciation	91	1,256	1,347
Release of Depreciation provision	0	0	0
Chg. Depreciation provision 2021	91	1,256	1,347
Historical cost	3,029	44,629	47,658
Depreciation provision	1,550	10,114	11,664
Net Book Value 31.12.2021	1,479	34,515	35,994

Note 4 - Plant, machinery and equipment

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Work in progress and payments on account	8,409	10,213	(1,804)
Industrial and commercial equipment	2,153	1,411	742
Plant and machinery	16,588	9,921	6,667
Moulds	1,557	1,302	255
TOTAL	28,707	22,847	5,860

Work in progress and payments on account: amounting to Euro 8,409 thousand at 31 December 2021, decreasing by Euro 1,804 thousand compared to 31 December 2020, mainly related to works in progress for the construction of:

- **TISG 4.0 investments:** at 31 December 2021 the company made investments, still in progress, for the project for a total of Euro 4,438 thousand. The aforementioned investments concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. The roofing of the entire original dry dock, the one built in 1973, is currently underway. Presumably the investments for the project will end in the year 2022;
- **TISG 4.1 investments:** at 31 December 2021, the company made investments, still in progress, for the project in question for a total of Euro 3,841 thousand. The investments concern a major reorganisation and strengthening of the entire Marina di Carrara shipyard. In detail, the investment involves the expansion of the shed located near the original basin, as well as of a number of structures and systems. This will allow the number of ships under construction to be expanded by 4 units. The main interventions are listed below:
 - Demolition of a metal shed 86x25 meters approximately, used as a support warehouse for naval refit activities;
 - Expansion of the existing construction basin cover shed (No. 5) through the construction of a new shed with a reinforced concrete structure, about 38 meters wide with a span and a width of 174 meters and a height of 25 meters, used for the construction and outfitting of pleasure yachts up to 90 meters long;
 - Extension of the eastern quay;
 - Construction of a single-storey box above ground with a metal structure adjacent to the sheds no. 5 and no. 6 instead of the planned 4-storey structure.

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

Presumably the investments for this project will end in the year 2023

Industrial and commercial equipment: this item amounted to Euro 2,153 thousand at 31 December 2021, up by Euro 742 thousand compared to the previous year, net of depreciation for the year. In the 2021 financial year, the most significant investments mainly concerned the purchase of equipment for the accommodation of yachts on land.

Plant and machinery: this item, amounting to Euro 16,588 thousand at 31 December 2021 increased compared to the previous year by Euro 6,667 thousand net of depreciation for the year. In the 2021 financial year, the works relating to the modernization of the sinkable basin were completed, which allows the launch of new orders as well as the carrying out of numerous refitting works.

Moulds: this item, amounting to Euro 1,557 thousand as of 31 December 2021, increased, compared to 2020, by Euro 255 thousand net of the depreciation for the year. In particular, this refers to moulds purchased for different stages of the production of the Tecnomar for Lamborghini 63 models.

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

Description (thousands of Euro)	Work in progress and payments on account	Industrial and commercial equipment	Plant and machinery	Moulds	Total
Historical cost	10,213	7,682	34,483	4,606	56,984
Depreciation provision	0	6,272	24,562	3,303	34,137
Net Book Value 31.12.2020	10,213	1,410	9,921	1,303	22,847
Changes in 2021					
Investments	7,209	1,230	4,496	422	13,358
Decreases	0	0	788	0	788
Transfers	(9,013)	66	3,886	0	(5,061)
Chg. Historical cost 2021	(1,804)	1,296	7,594	422	7,508
Depreciation	0	553	1,518	168	2,239
Release of Depreciation provision	0	0	591	0	591
Chg. Depreciation provision 2021	0	553	927	168	1,648
Historical cost	8,409	8,978	42,077	5,028	64,492
Depreciation provision	0	6,825	25,489	3,471	35,785
Net Book Value 31.12.2021	8,409	2,153	16,588	1,557	28,707

Note 5 - Other tangible assets

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Office furniture and machines	1,496	1,613	(117)
Cars	143	32	111
Transport vehicles	3	3	0
Electronic office machines	0	0	0
TOTAL	1,642	1,648	(6)

This item amounted to Euro 1,642 thousand at 31 December 2021, decreasing by Euro 6 thousand from 2020, net of depreciation for the year. The decrease mainly depends on the depreciation for the year partially mitigated by some increases related to the creation of the TISG Academy.

Description (thousands of Euro)	Office furniture and machines	Cars	Transport vehicles	Total
Historical cost	3,042	224	224	3,490
Depreciation provision	1,429	193	221	1,843
Net Book Value 31.12.2020	1,613	31	3	1,647
Changes in 2021				
Investments	160	144	29	333
Decreases	0	0	28	28
Transfers	0	0	0	0
Chg. Historical cost 2021	160	144	1	305
Depreciation	277	32	1	310
Release of Depreciation provision	0	0	0	0
Chg. Depreciation provision 2021	277	32	1	310
Historical cost	3,202	368	225	3,795
Depreciation provision	1,706	225	222	2,153
Net Book Value 31.12.2021	1,496	143	3	1,642

Note 6 - Right-of-Use

The changes in this item are detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Right Of Use - Plant and Machinery	453	645	(192)
Right Of Use - Motor Vehicles	2,221	988	1,233
Right Of Use - Leased buildings	0	975	(975)
Right Of Use - Buildings under state concession	6,215	6,498	(283)
TOTAL	8,889	9,106	(217)

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

The item ROU of plant and machinery, amounting to Euro 453 thousand at 31 December 2021, down by Euro 192 thousand compared to 31 December 2020, includes the agreements to lease a milling machine, 2 Hyster trolleys, a bending machine and a lathe, needed for the production of steel, as well as the fire detection system, 2 lifters, and a cutting and water jet system for the steel laboratory.

The item ROU motor vehicles, equal to Euro 2,221 thousand at 31 December 2021, up by Euro 1,233 thousand compared to 31 December 2020, includes all the leases of the cars that make up the corporate fleet.

The item ROU Buildings under lease, equal to Euro 0 thousand at 31 December 2021, refers to the sub-lease agreement regarding a property for industrial use located in Massa used by TISG for the construction of the hull of a 77 metre yacht completed in October 2021.

The item ROU Buildings under state concession, equal to Euro 6,215 thousand at 31 December 2021, refers to the recognition of the discounted value of the state concession issued by the Port System Authority of the Eastern Ligurian Sea - Ports of La Spezia and Marina di Carrara, whose expiry, as a result of Decree Law no. 34 of 19 May 2020, converted into law with amendments by Law no. 77 of 17 July 2020, Article 199, was postponed to 2043.

The table of changes is shown below:

Description (thousands of Euro)	Right Of Use Motor Vehicles	Right Of Use Plant and Machinery	Right Of Use Buildings	Right Of Use Buildings under state concession	Total
Historical cost	1,434	1,109	1,033	7,851	11,427
Depreciation provision	447	464	57	1,353	2,321
Net Book Value 31.12.2020	988	645	975	6,498	9,106
Changes in 2021					
Investments	2,119	41	0	0	2,200
Decreases	637	0	1,033	0	1,710
Transfers	0	0	0	0	0
Chg. Historical cost 2021	1,482	41	(1,033)	0	490
Depreciation	518	233	129	283	1,162
Release of Depreciation provision	269	0	186	0	455
Chg. Depreciation provision 2021	249	233	(57)	283	707
Historical cost	2,917	1,149	0	7,851	11,917
Depreciation provision	695	697	0	1,635	3,027
Net Book Value 31.12.2021	2,221	453	0	6,215	8,889

Note 7 - Equity investments

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Equity investments in subsidiaries	10	0	10
Equity investments in other companies	43	43	0
TOTAL	53	43	10

The item "equity investments in subsidiaries" includes the investment for the establishment of the company New Sail S.r.l., made in 2021. The company was established in order to participate in the bankruptcy auction for the purchase of the Perini Navi business complex, which includes the movable and real estate complex of the shipyards of Viareggio and La Spezia, the real estate complex of Pisa, a ship under construction (order no. 2369), the trademarks and patents, the shareholding (100%) in Perini Navi USA Inc. and the existing legal relationships with employees and third parties.

The item "equity investments in other companies" includes the investment for the purchase of 250 shares, equal to 2.5% of the total share capital, of TISG Asia Limited, based in Hong Kong, carried out in 2017. TISG Asia Limited currently operates as the Company's broker in the Asian market.

Note 8 - Other non-current assets

This item is composed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Non-current security deposits	55	1,063	(1,008)
Other securities	364	232	132
Receivables from CELI for long-term tax transaction	3,803	1,209	2,594
TOTAL	4,222	2,504	1,718

The item, which increased compared to 2020 by Euro 1,718 thousand, is detailed as follows:

- **Security deposits:** the item, amounting to Euro 55 thousand, decreased by Euro 1,008 thousand due to the closure of an escrow account in Malta following the conclusion of a litigation (see what described in the chapter on risks);
- **Other securities:** recorded for Euro 364 thousand at 31 December 2021, this is a contract signed with Unicredit for the custody and administration of securities and insurance instruments called Unibonus Business;
- **Receivables from CELI for tax settlement:** the item refers to the long-term portion of the receivable arising from the related company CELI as part of the Tax Settlement signed by CELI and TISG with the Revenue Agency in October 2020, for which TISG has already advanced Euro 8,080 thousand to the Revenue Agency on behalf of CELI. This amount will be repaid by CELI to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per year, starting from 30 June 2021 until 31 December 2030.

Note 9 - Cash and cash equivalents

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Bank and post office deposits	85,604	17,942	67,662
Cash	1	1	0
TOTAL	85,605	17,943	67,662

The item Bank and post office deposits at 31 December 2021 amounted to a total of Euro 85,605 thousand, an increase of Euro 67,662 compared to 31 December 2020.

Note 10 – Trade receivables

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Receivables from customers	10,236	14,616	(4,380)
TOTAL	10,236	14,616	(4,380)

Receivables from customers, amounting to Euro 10,236 thousand, decreased by Euro 4,380 thousand compared to 31 December 2020, are mainly related to the invoicing of orders in progress, refit services and other activities. Recognition in the financial statements is carried out at their estimated realisable value.

Changes in the bad debt provision are shown below:

Description (thousands of Euro)	31.12.2020	Provision made	Provision used	31.12.2021	Changes
Bad debt provision (trade receivables)	(228)	287	55	(460)	(232)
Bad debt provision (competition procedures)	(371)	0	0	(371)	0
TOTAL	(599)	287	55	(831)	(232)

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

Note 11 - Other receivables

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Advances to suppliers	1,585	1,181	404
Receivables from subsidiaries	8,010	0	8,010
Receivables from parent companies	67	38	29
Tax receivables	687	78	609
TOTAL	10,349	1,297	9,052

The item **Advances to suppliers**, amounting to Euro 1,585 thousand at 31 December 2021, increased by Euro 404 thousand compared to 31 December 2020, includes advances paid to suppliers with whom tender contracts were signed for work in progress.

The **Receivable from subsidiaries**, at 31 December 2021 for Euro 8,010 thousand, refers to the amount that TISG has granted to New Sail S.r.l. for its participation in the bankruptcy auction for the purchase of the Perini Navi S.p.A. business complex. This amount was required by the receivership as a security deposit, a necessary prerequisite for participation in the auction.

The **Receivable from parent companies**, recognised at 31 December 2021 for Euro 67 thousand, refers to payments made by TISG on behalf of the parent company GC Holding S.p.A..

Tax receivables: this item, amounting to Euro 687 thousand at 31 December 2021, refers to VAT receivables from the Tax Authority.

Note 12 – Assets and liabilities from contract work in progress

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Assets from contract work in progress	41,337	22,549	18,788
Liabilities from contract work in progress	(16,345)	(8,845)	(7,500)
TOTAL	24,992	13,704	11,288

The item "assets from contract work in progress", amounting to Euro 24,992 thousand, includes construction contracts whose progress is higher than the amount invoiced to the customer. Compared to 31 December 2020, this item increased by Euro 18,788 thousand. This increase is mainly attributable to the trend of the order curves which, in 2021, resulted in lower SAL invoices compared to the recognition of the corresponding production costs.

The item "liabilities from contract work in progress", equal to Euro 16,345 thousand, includes contracts for which the value of payments on account invoiced to the customer are higher than the work progress. Compared to 31 December 2020, an increase of approximately Euro 7,500 thousand was reported.

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

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

The development of this item at 31 December 2021 and at 31 December 2020 for yachts under contract is shown below:

Description (thousands of Euro) 31.12.2020	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	597,247	181,213	(168,355)	12,858
Refitting orders	8,204	5,696	(4,850)	846
Total	605,451	186,909	(173,205)	13,704

Description (thousands of Euro) 31.12.2021	Value of contracts	Contract progress	Advances invoiced	Net amount of business
Yacht Orders	807,726	305,475	(281,087)	24,388
Refitting orders	18,948	9,934	(9,331)	603
Total	826,673	315,409	(290,418)	24,992

At 31 December 2021, the Company is carrying out the construction of 27 yachts (including 13 Tecnomar for Lamborghini 63 motor-yachts) and is carrying out Refit services on 14 yachts (including the completion of two yachts previously under construction at Perini Navi S.p.A.).

Note 13 - Inventories

This item is composed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Raw materials, supplies and consumables	276	211	65
Work in progress and semi-finished products	974	348	626
Finished products and goods	0	2,200	(2,200)
TOTAL	1,250	2,759	(1,509)

The item **Raw materials, supplies and consumables**, amounting to Euro 276 thousand, increased by Euro 65 thousand compared to 2020, refers to the amount of inventories of the general warehouse of TISG, the internal steel laboratory and the warehouse "Food and beverage" of the Village.

Work in progress and semi-finished products at 31 December 2021 amounted to Euro 974 thousand, an increase of Euro 626 thousand compared to 31 December 2020 as a result of the costs incurred for the construction of 1 Tecnomar for Lamborghini 63 motor yacht, built in order to have a model available in the company.

Finished products and goods at 31 December 2021 are zero, following the sale of a yacht that was received in exchange in 2020.

Note 14 - Other current assets

The breakdown of other current assets is shown below:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Receivables from employees	0	49	(49)
Receivables from social security and tax authorities	33	43	(10)
Due from others (net of the related write-down provision)	92	109	(17)
Receivables from GFM	144	143	1
Receivables from CANTALUPI Corrente	450	0	450
Receivables from CELI for tax transaction	475	134	341
Receivables from insurance companies	0	1,544	(1,544)
Prepaid expenses	1,190	1,299	(109)
TOTAL	2,384	3,321	(937)

Receivables from employees: these are zeroed following the offsetting of advance expenses or advances paid to some employees of the Company;

Receivables from social security and tax authorities: equal to Euro 33 thousand at 31 December 2021, refer primarily to advances on INAIL contributions.

Receivables from others: this item, amounting to Euro 92 thousand at 31 December 2021, down by Euro 17 thousand compared to 31 December 2020, includes a number of receivables net of the related provision for write-downs.

Receivables from GFM: this item, amounting to Euro 144 thousand at 31 December 2021, includes the receivable claimed by the Company in relation to two partial awards in favour of TISG, with payment of a total of approximately Euro 210 thousand, for the recoverability of which the lawyers of TISG have expressed a positive opinion. Not having paid GFM voluntarily, TISG acted for the recognition of these awards in Switzerland and an opposition by GFM is currently pending. The difference of Euro 67 thousand that makes up the request for Euro 210 thousand of TISG described above, is included in trade receivables due from customers.

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

The item **Receivables from insurance companies** are zeroed, following the complete payment of the indemnity due to the Company for the compensation of the damages reported to a yacht under construction.

The item **Prepayments**, equal to Euro 1,190 thousand, refers primarily to the calculation of the accruals of the insurance costs of the yard and of the builder risks of the yachts in production.

COMMENTS ON THE MAIN LIABILITY ITEMS**Note 15 - Shareholders' Equity**

The Ordinary Shareholders' Meeting held on 5 March 2021 resolved to establish the Legal Reserve for Euro 4,350 thousand through the use of the Share premium reserve and to distribute the net profit for the year 2020 to the shareholder GC Holding S.p.A., equal to a total of Euro 6,235 thousand. The above-mentioned dividends were paid on 18 March 2021.

On 8 June 2021, the Company began trading its shares on the MTA stock exchange, one portion of which was for sale by the major Shareholder and one portion for an increase in share capital. As a result of the placement, the share capital increased from 21,750,000 shares with a nominal value of Euro 1 per share to 53,000,000 shares with a nominal value of Euro 0.5 per share. The change in the share premium reserve derives from the placement of the aforementioned shares in the capital increase, net of the set-up of the legal reserve for Euro 4,350 thousand and of the listing costs related to the capital increase for Euro 1,957 thousand, which have been charged to a direct reduction of this reserve.

The breakdown of Shareholders' Equity is shown below:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Share capital	26,500	21,750	4,750
Share premium reserve	45,431	12,000	33,431
Legal reserve	4,350	0	4,350
Reserves and other retained earnings	285	235	50
Profit (loss) for the period	13,212	6,235	6,977
TOTAL	89,778	40,220	49,558

At 31 December 2021, the **Share Capital** of TISG stood at Euro 26,500 thousand consisting of 53,000,000 shares with a nominal value of Euro 0.5 per share, fully subscribed and paid up.

Note 16 - Provisions for risks and charges

Details of the changes and composition of the provisions for risks and charges from 31 December 2020 to 31 December 2021 are shown below:

CHANGES IN PROVISIONS FOR RISKS					
Description (thousands of Euro)	31.12.2020	Alloc.	Use	31.12.2021	Delta
Civil actions	1,194	150	(1,119)	225	(969)
Provision for risks of legal and employment disputes	122	0	(40)	82	(40)
Yacht guarantee fund	1,214	991	(114)	2,091	877
Risks for previous taxes	100	631	(72)	659	559
Other risks	9	0	0	9	0
TOTAL	2,639	1,772	(1,345)	3,066	427

Provision for civil actions

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

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

Provision for risks of legal and employment disputes

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

Yacht guarantee fund

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

Provision for previous taxes

This is a provision that includes allocations for risks of a fiscal nature arising from possible requests from the Revenue Agency or other entities. The provision for the year represents an estimate of possible claims for municipal taxes related to the investments made by the 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	31/12/2021	31/12/2020	Changes
Provision for risks and charges	660	697	(37)
Losses carried forward	0	1,777	(1,777)
Others	2,499	293	2,206
Deferred tax assets	3,159	2,767	392

in thousands of Euro	31/12/2021	31/12/2020	Changes
Tangible assets	3,971	4,294	(323)
Brands	367	310	57
Others	0	3	(3)
Deferred tax liabilities	4,338	4,607	(269)
Net amount	(1,179)	(1,840)	661

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:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Liabilities for employee benefits	760	817	(57)
TOTAL	760	817	(57)

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

Note 19 - Long-term financial liabilities

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Payables to shareholders for long-term loans	0	3,095	(3,095)
Long-term bank payables	23,863	7,757	16,106
Lease liabilities - Motor vehicle long-term portion	1,759	690	1,069
Lease liabilities - Plant and machinery long-term portion	191	305	(114)
Lease liabilities - Buildings long-term portion	0	826	(826)
Lease liabilities - Buildings held under long-term state concession	5,565	5,742	(177)
Payables to other lenders	0	0	0
TOTAL	31,378	18,415	12,963

The item **Long term bank payables**, amounting to Euro 23,863 thousand, represents the amount maturing beyond the financial year 2022 of the medium and long term loans entered into in previous years and in the current year. The item increased by Euro 16,106 thousand following the complete disbursement of the syndicated loan agreement with Unicredit and Deutsche Bank called *TISG 4.0 Project* and a new loan agreement with Banca MPS for Euro 10,000 thousand, signed by the Company to finance the new investment plan called *TISG 4.1*.

The items **Lease liabilities - Motor vehicles**, **Lease liabilities - Plant and Machinery** and **Lease liabilities - Leased Building** for Euro 1,759 thousand, Euro 191 thousand and Euro 0 at 31 December 2021 refer to the long-term portion of the financial debt linked to the application of IFRS 16.

Lease liabilities - Buildings held under state concession, amounting to Euro 5,565 thousand at 31 December 2021, 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.

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

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Payables to GC Holding S.p.A.	3,161	3,161	0	0
Banca Intesa payables (formerly Veneto Banca)	178	178	0	0
Unicredit payables	875	750	125	0
BPM payables	517	203	314	0
Pool payables (Unicredit - Deutsche Bank)	15,995	5,000	10,995	0
Banca Intesa payables	3,872	776	3,096	0
MPS payables	10,000	667	8,000	1,333
Right Of Use payable	8,226	711	2,838	4,677
Minor Financial Payables	34	34	0	0

Total	42,857	11,479	25,368	6,010
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Note 20 - Other non-current liabilities

Details of other non-current liabilities are provided below:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Subsidised settlement - TER scrapping - long-term portion	486	1,157	(671)
TOTAL	486	1,157	(671)

The item **Subsidised settlement - TER scrapping**, amounting to Euro 486 thousand at 31 December 2021, includes the long-term part of the instalment plan signed with the Revenue Agency for all positions entered in the tax roll by 31 December 2017.

Note 21 - Trade payables

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Payables to suppliers within the following year	57,146	34,240	22,906
TOTAL	57,146	34,240	22,906

Payables to suppliers: this item, amounting to Euro 57,146 thousand at 31 December 2021, shows an increase of Euro 22,906 thousand compared to 31 December 2020, due to the significant increase in operating activities necessary for the work on the orders in progress, for the development of refit activities, and for the investments of the TISG 4.0 and TISG 4.1 projects.

Note 22 - Other payables

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Subsidised settlement - TER scrapping - short-term portion	590	1,119	(529)
Payables to social security institutions	1,400	1,692	(292)
Tax payables	3,634	1,899	1,735
TOTAL	5,624	4,710	914

The short-term portion of the **Subsidised Settlement - TER Scrapping**, recognised in the financial statements at 31 December 2021 for Euro 590 thousand, refers to the portion of the instalment in progress with the Revenue Agency for Collection due in 2022.

The item **Payables to social security institutions**, amounting to Euro 1,400 thousand at 31 December 2021, refers to the debt for contributions payable by the Company to INPS, for the

month of December 2021, to INAIL, to Fasi and Previndai, to the Cometa Supplementary Fund and other minor funds.

The item **Tax payables**, equal to Euro 3,634 thousand at 31 December 2021, mainly includes payables to the tax authorities for IRES and IRAP 2021.

Note 23 - Short-term financial liabilities

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Payables to shareholders for short term loans	3,161	0	3,161
Short-term payables to banks	7,575	2,496	5,079
Lease liabilities - Motor vehicle short term portion	349	235	114
Lease liabilities - Plant and machinery short-term portion	184	269	(85)
Lease liabilities - Buildings short-term portion	0	160	(160)
Lease liabilities - Buildings held under state concession short-term portion	178	172	6
Short term payables to other lenders	33	38	(5)
TOTAL	11,480	3,370	8,110

Payables to shareholders for short term loans, amounting to Euro 3,161 thousand at 31 December 2021, refer to interest-bearing disbursements made by the sole shareholder of TISG, GC Holding S.p.A. The classification under long-term financial liabilities refers to the fact that GC Holding S.p.A. undertook not to request repayment of the loan before 31 December 2022. The increase compared to 31 December 2020 is represented by the interest accrued in the period in addition to the shift of the principal amount to be repaid within the next financial year.

The item **short-term bank borrowings**, amounting to Euro 7.575 thousand increased by Euro 5,079 thousand compared to 31 December 2020, includes the portion to be paid within the next financial year of the loans subscribed by the company as well as advances on contracts and cash credit lines.

The items **Lease liabilities - Motor vehicles**, **Lease liabilities - Plant and Machinery** and **Lease liabilities - Leased Buildings**, for Euro 349 thousand, Euro 184 thousand and Euro 0, respectively, at 31 December 2021, related to the short-term portion of the financial indebtedness related to the application of IFRS 16.

Lease liabilities - Buildings under state concession, amounting to Euro 178 thousand, refer to the short-term portion of payables for the thirty-year state concession, in application of IFRS 16.

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

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

Classification	Account balance	Within 1 year	From 1 to 5 years	Over 5 years
Payables to GC Holding S.p.A.	3,161	3,161	0	0
Banca Intesa payables (formerly Veneto Banca)	178	178	0	0
Unicredit payables	875	750	125	0
BPM payables	517	203	314	0
Pool payables (Unicredit - Deutsche Bank)	15,995	5,000	10,995	0
Banca Intesa payables	3,872	776	3,096	0
MPS payables	10,000	667	8,000	1,333
Right Of Use payable	8,226	711	2,838	4,677
Minor Financial Payables	34	34	0	0
Total	42,857	11,479	25,368	6,010

Note 24 - Other current liabilities

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Accrued expenses	207	329	(122)
Other payables due within the next year	14,518	6,123	8,395
TOTAL	14,725	6,452	8,273

The item **Other payables**, amounting to Euro 14,518 thousand at 31 December 2021, increased by Euro 8,395 thousand compared to the previous year 2020 and is mainly composed as follows:

- payables to employees for holidays and leave accrued by them at 31 December 2021 in the amount of Euro 2,941 thousand;
- payable to a shipowner customer of TISG, for Euro 837 thousand at 31 December 2021, relating to the trade-in carried out in 2019 of a 45m Admiral yacht, established as part of a contract for the construction and sale of a 75m Admiral yacht. The aforementioned debt will be repaid through the reduction of the collection of the contractual partial completion stages of the superyachts in production;
- Tecnomar For Lamborghini deposits for Euro 10,652 thousand refers to the deposits paid by the respective customers upon the signing of contracts for the construction and sale of M/Y Tecnomar for Lamborghini;
- recognition at 31 December 2021 of the "MTM" of Euro 65 thousand, of derivative instruments aimed at hedging exposure to interest rate risk on the medium-term loan taken out with Unicredit for Euro 3 million and the TISG 4.0 Project loan taken out with a pool of banks composed of Unicredit and Deutsche Bank, for a total of Euro 20 million.

COMMENTS ON THE MAIN ITEMS OF THE INCOME STATEMENT

Note 25 - Revenues

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Revenues from sales and services	174,767	122,232	52,535
Change in contract work in progress	11,287	(9,281)	20,568
Total operating revenues	186,054	112,951	73,103
Other revenues and income	5,448	6,116	(668)
Commissions	(4,825)	(1,853)	(2,972)
TOTAL	186,677	117,214	69,463

Revenues from sales and services, amounting to Euro 174,767 thousand at 31 December 2021, increased compared to the previous year by approximately Euro 52,535 thousand, following the subscription of 4 contracts for the production and sale of yachts between 40m and 100m in length and 7 contracts for motor yachts of around 20m under the Tecnomar for Lamborghini brand.

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

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Production and sale of yachts (Shipbuilding)	164,143	98,518	65,625
incidence on total operating revenues	88%	87%	84%
Refit Activities	21,912	14,433	7,479
incidence on total operating revenues	12%	13%	16%
Operating revenues	186,054	112,951	73,103

The **Other revenues and income**, equal to Euro 5,448 thousand at 31 December 2021, are detailed as follows:

- **insurance settlements** for an amount of Euro 3,565 thousand at 31 December 2021, refer to reimbursements paid in 2021 by the insurance companies for costs incurred by TISG in 2021, relating to claims for adverse weather events and damage to vehicles. In particular, the most significant accident occurred in June 2019 with the fire that took place on a Tecnomar Evo 120 yacht moored on the quay. The retrieval of recovery costs for the year 2021 in relation to the accident amounted to approximately Euro 3,767 thousand;
- **contingent assets** of Euro 1,134 thousand at 31 December 2021, which essentially refer to extraordinary income obtained following the successful conclusion of some disputes, thanks to the collection activities carried out by the company's lawyers.

The **commissions payable**, recognised in the financial statements at 31 December 2021 for Euro 4,825, refer to the brokerage activities of some of the main brokers in the sector, which have collaborated with the Company for years to procure customers.

Note 26 - Raw materials, components and consumables

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Raw materials, consumables and goods	(44,939)	(27,304)	(17,635)
Short-term rentals	(236)	(388)	152
Changes in inventories of raw materials	65	(49)	114
Change in inventories of semi-finished and finished products	(1,574)	1,318	(2,892)
TOTAL	(46,684)	(26,423)	(20,261)

The item **costs for raw materials, consumables and goods**, amounting to Euro 44,939 thousand at 31 December 2021, up compared to the previous year of 2020 by Euro 17,635 thousand, includes all costs relating to the procurement of materials necessary for the development of the production activities.

Short-term rentals, amounting to Euro 236 thousand at 31 December 2021, refer to all costs incurred for the rental of equipment, forklifts and scaffolding for specific short periods strictly linked to production requirements, especially in the context of refit services.

The item **Changes in inventories of raw materials**, which represents a positive balance of Euro 65 thousand at 31 December 2021, is related to the increase in raw materials stored in the general, steel and Village warehouses.

The item **Change in inventories of semi-finished and finished products**, amounting to Euro 1,574 at 31 December 2020, refers to the sale of a yacht received in exchange during 2020 and to the recording of the cost incurred for the in-house production of a Tecnomar for Lamborghini model.

Note 27 - Cost for outsourced work

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Outsourced works	(71,278)	(44,703)	(26,575)
TOTAL	(71,278)	(44,703)	(26,575)

Costs for Outsourced work, equal to Euro 71,278 thousand at 31 December 2021, up by Euro 26,575 thousand compared to 31 December 2020, refers to production activities managed in outsourcing by specialised nautical sector companies. In particular, they relate to marine carpentry services, turnkey furnishings of yachts and superyachts, electrical and plumbing work, and interior and exterior fittings of the yachts. The increase recorded in 2021 is linked to the development of growth for external lines, which involves the transfer, outside the Marina di Carrara shipyard, of the realisation of some processing phases such as those relating to the construction of the hull.

Note 28 – Services and technical consultancy

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Other services and consultancy	(3,006)	(4,221)	1,215
Legal, tax and notary consultancy	(2,030)	(1,149)	(881)
Independent Audit fees	(198)	0	(198)
TOTAL	(5,234)	(5,370)	136

The item **Other services and consultancy**, amounting to Euro 3,060 thousand at 31 December 2021, decreased by Euro 1,161 thousand compared to 2020 due to a lower number of design phases of the new mega yachts entrusted to external designers and architects.

The item **Legal, tax and notary consultancy**, amounting to Euro 2,174 thousand at 31 December 2021, includes the costs incurred for the management of legal activities, employment law advice, consultancy on the sector VAT regulations, as well as expenses for the notarial deeds for all contracts for the sale of yachts, extraordinary transactions and other advice. The item increased by Euro 1,025 thousand compared to 2020.

Note 29 - Other costs for services

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Transport costs	(655)	(87)	(568)
Maintenance costs	(222)	(398)	176
Supervision	(505)	(433)	(72)
Research costs	(1,744)	(620)	(1,124)
Miscellaneous administrative expenses	(159)	(140)	(19)
Utilities	(2,912)	(1,192)	(1,720)
Shipyard and yacht insurance	(1,976)	(950)	(1,026)
Cleaning and waste disposal costs	(196)	(482)	286
Sundry employee services	(375)	(593)	218
Advertising and entertainment expenses	(731)	(541)	(190)
Bank charges and commissions	(384)	(251)	(133)
Fuels	(33)	(20)	(13)
Telephone costs	(81)	(84)	3
Software interventions	(60)	(65)	5
Directors' remuneration	(492)	(1,098)	606
Board of Statutory Auditors	(31)	(26)	7
Independent Auditors	0	(19)	19
Supervisory Body	(17)	0	(17)
Reimbursement of Directors' expenses	(45)	0	(45)
Other expenses	(77)	(38)	(51)
TOTAL	(10,695)	(7,037)	(3,658)

Costs for **Utilities**, amounting to Euro 2,912 thousand at 31 December 2021, increased by Euro 1,720 thousand compared to the previous year, mainly as a result of the development of the business, the entry into operation of the Village facilities and energy consumption linked to investment management.

Sundry employee services, amounting to Euro 375 thousand at 31 December 2021, decreased by Euro 218 thousand compared to 2020 and mainly refer to services related to canteen and catering, managed in the company Village and for travel and business trips for the start-up of the foreign outsourcing of the production of structural work and some commercial trips.

Note 30 - Personnel Costs

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

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
For personnel	(14,740)	(11,049)	(3,691)
Social security charges	(5,330)	(4,345)	(985)
Severance indemnity	(957)	(724)	(233)
Other costs	(1,090)	(763)	(327)
TOTAL	(22,117)	(16,881)	(5,236)

The average number of TISG employees in 2021 was 366 as follows:

Average number	2021	2020
Executives	19	15
Office staff	216	118
Workers	131	145
TOTAL	366	278

The number of employees at 31 December 2021 was 401, broken down as follows:

Precise number at 31 December	2021	2020
Executives	19	18
Office staff	243	165
Workers	139	125
TOTAL	401	308

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

Note 31 - Other operating costs

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Provision for risks	(1,773)	(1,112)	(661)
Contingent liabilities	(527)	(429)	(98)
Losses on receivables	0	0	0
IMU - Tasi	(230)	(123)	(107)
Municipal taxes	(287)	(31)	(256)
Branding	(769)	(320)	(449)
Other operating costs	(96)	(248)	152
TOTAL	(3,682)	(2,263)	(1,419)

The item **Provisions for risks**, equal to Euro 1,773 thousand at 31 December 2021, mainly refers to the provision to the guarantee fund for yachts in production, in the amount of Euro 992 thousand and a provision for municipal taxes of Euro 630 thousand.

Contingent liabilities, equal to Euro 527 thousand at 31 December 2021, 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.

Note 32 - Amortisation, depreciation and write-downs

This item is detailed as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Depreciation of tangible fixed assets	(4,998)	(3,685)	(1,313)
Amortisation of intangible fixed assets	(346)	(256)	(90)
Write-downs and losses on receivables	(403)	(823)	420
TOTAL	(5,747)	(4,764)	(983)

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

For the item **Write-downs and losses on receivables**, please refer to the previous **note 10**.

Note 33 - Financial income and charges

The item can be broken down as follows:

Description (thousands of Euro)	31/12/2021	31/12/2020	Changes
Other financial income	197	28	169
Interest expense to banks and others	(2,888)	(1,646)	(1,242)
Interest expense on interest-bearing loan to shareholders	(66)	(66)	0
Interest expense on Lease liabilities	(321)	(279)	(42)
TOTAL	(3,078)	(1,963)	(1,115)

Note 34 - Income taxes

The reconciliation table of the tax burden is shown below:

Description (thousands of Euro)	31.12.2021	31.12.2020
Theoretical IRES rate	24.00%	24.00%
Profit before taxes	18,162	7,987
THEORETICAL IRES		
Total increases	5,000	3,441
Total decreases	-8,106	-3,098
Taxable income	-15,057	-8,330
Effect of tax losses usable at 80%	7,506	6,664
ACE	1,051	185
Net taxable income	-6,500	-1,481
IRES 24%	- 1,560	-355
IRAP	- 923	-409
taxes from previous years	0	-20
Total current taxes	- 2,483	-784
Deferred tax assets/liabilities	653	-969
Contingent assets from Patent Box application	0	178
TOTAL TAXES	-1,831	-1,575

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

Note 35 - Gains/(losses) from remeasurement of liabilities to defined benefit plans

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

For some of the assumptions used, where possible, explicit reference was made to the direct experience of the Company, for the others the reference best practice was taken into account.

The economic technical bases used are shown below:

SUMMARY OF THE ECONOMIC TECHNICAL BASIS	31.12.2021	31.12.2020	31.12.2019
Annual discount rate	0.29%	-0.08%	0.17%
Annual inflation rate	1.75%	0.80%	1.20%
Annual rate of increase in severance indemnity	2.81%	2.10%	2.40%

In particular, it should be noted that:

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

The technical demographic bases used are shown below:

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

Additional information:

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

Sensitivity analysis of the main valuation parameters	
THE ITALIAN SEA GROUP S.P.A.	DBO 31.12.21
Turnover rate +1%	724,409.71
Turnover rate -1%	732,804.89
Inflation rate +0.25%	734,829.77
Inflation rate -0.25%	722,112.39
Discount rate +0.25%	718,608.03
Discount rate -0.25%	738,505.79

Service Cost and Duration	
THE ITALIAN SEA GROUP S.P.A.	
Service Cost 2021	17,795.39
Duration	7.22

Estimated future disbursements	
Years	Expected disbursements
1	97,875.66
2	84,712.64
3	101,743.99
4	66,117.72
5	67,143.65

Note 36 - Cash flow hedges

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

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

In the case of the derivatives stipulated by The Italian Sea Group S.p.A. with Unicredit during 2019 and with Unicredit and Deutsche in relation to the TISG 4.0 project loan, the Cash Flow Hedge is attributable to the exposure to interest rate risk on the medium term loan, for an initial nominal value of Euro 3 million and a value of Euro 9.6 million and Euro 6.4 million, respectively.

OTHER INFORMATION**COMMITMENTS AND RISKS**

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

RELATED PARTY TRANSACTIONS

Below is a list of the main Related Parties with which transactions took place in 2021 and the type of relationship:

List of related parties	Correlation relationship
GC HOLDING S.P.A.	62.5% PARENT COMPANY OF TISG
TISG Turkey YTAS	100% SUBSIDIARY OF GC HOLDING
New Sail S.r.l.	100% PARENT COMPANY OF TISG
GMC Architecture S.r.l. S.t.p.	GC HOLDING INVESTEE COMPANY
CELI S.r.l.	RELATED PARTY OF TISG
SANTA BARBARA	RELATED PARTY OF TISG

Transactions with related parties during the year at 31 December 2021 are shown below:

BALANCE SHEETS (thousands of Euro)	GC Holding	TISG Turkey	New Sail	GMC ARCHITECTURE	CELI S.r.l.	Santa Barbara
SECURITY DEPOSITS		23				
FINANCIAL RECEIVABLES	67		8,010		4,279	
TRADE RECEIVABLES		1,027			552	0
TOTAL RECEIVABLES	67	1,050	8,010	0	4,831	0
FINANCIAL PAYABLES	3,161					
TRADE PAYABLES		1,058		8	605	0
TOTAL PAYABLES	3,161	1,058	0	8	605	0
INCOME STATEMENT (thousands of Euro)	GC Holding	TISG Turkey	New Sail	GMC ARCHITECTURE	CELI S.r.l.	Santa Barbara
COSTS FOR PROCESSING		3,177			6,074	0
COSTS FOR CONSULTANCY				113		
COSTS FOR SERVICES		270				
INTEREST EXPENSE	66					
TOTAL COSTS	66	3,447	0	113	6,074	0
REVENUES FROM SALES		1,286		0	652	61
INTEREST INCOME			10		139	
TOTAL REVENUES	0	1,286	10	0	791	61

GC HOLDING S.p.A.: the financial payables to the parent company GC Holding refer entirely to the interest-bearing loan disbursed by the shareholder GC Holding to the Company in 2018. Specifically, the principal payable amounted to Euro 2,880 thousand, while the interest accrued

at 31 December 2021 amounted to Euro 281 thousand, of which Euro 66 thousand pertaining to the year 2021.

TISG Turkey YTAS: TISG has commissioned TISG Turkey to build steel and aluminium hulls for yachts under construction. Specifically, the contract was commissioned for the construction of the hull and superstructure of the motor yacht 597 under the Admiral brand with a length of 100 meters, to be completed by 31 October 2022.

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

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

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

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

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

Pursuant to this agreement, at 31 December 2021, TISG has paid the Exchequer on behalf of CELI Euro 8,080 thousand, in settlement of the entire amount stated in the Tax Settlement (this amount includes Euro 104 thousand of CELI's tax debts); of this amount, CELI has already repaid Euro 3,801 thousand to TISG. The residual receivable at 31 December 2021 in the amount of Euro 4,279 thousand will be repaid by CELI to TISG over 10 years through 20 half-yearly instalments of Euro 237 thousand each, plus interest calculated at 3.5% per annum, starting from 30 June 2021 until 31 December 2030. CELI repaid the instalments according to the repayment plan on 31 December 2021.

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

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

Santa Barbara: In 2021 TISG has carried out a supply of specialised technical services on behalf of Santa Barbara.

New Sail: The Company, at 31 December 2021, has a receivable from the subsidiary of Euro 8.010 thousand which refers to the amount that TISG has granted to New Sail S.r.l. to participate in the bankruptcy auction for the purchase of the Perini Navi S.p.A. business complex. This amount was required by the receivership as a security deposit, a necessary prerequisite for participation in the auction.

SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

In 2021, no significant non-recurring transactions were carried out, as defined by Consob Communication no. DEM/6064293 of 28 July 2006, other than those described in the report on operations in the section significant events that occurred in 2021.

TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In 2021, the Company did not carry out any significant atypical and/or unusual transactions, as defined by Consob Communications no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006, other than those described in the explanatory notes and in the report on operations.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE PERIOD

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

Earnings per share

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

Description (thousands of Euro)	31/12/2021	31/12/2020
Net result	16,331.60	6,235.00
Profit attributable to ordinary shares	16,331.60	6,235.00
Average number of ordinary shares in circulation	53,000	21,750
Earnings per ordinary share	0.31	0.29
Adjusted average number of ordinary shares	53,000	21,750
Diluted earnings per ordinary share	0.31	0.29

AUTHORISATION TO PUBLISH

This document was published on 7 April 2022 upon authorisation of the Chair and Chief Executive Officer.

DIRECTORS AND AUDITORS REMUNERATION

The total remuneration due for the year 2021 to the Directors and Statutory Auditors of TISG S.p.A., for the performance of these functions in the Parent Company, amounts to Euro 492 thousand for the Directors and Euro 31 thousand for the Statutory Auditors. For a complete and detailed description of the remuneration paid to Directors, reference should be made to the Remuneration Report, available at the Company's registered office and on the website of the Parent Company.

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

Pursuant to Article 149-duodecies of the Issuers' Regulation, it should be noted that the total fees due to BDO Italia S.p.A. and the BDO network for the audit of the 2021 Annual Financial Report, as well as the fees for the year 2021 for other audit/verification services and other non-audit services provided to the Group are summarised in the table below:

Description (thousands of Euro)	31/12/2021
Fees for the Listing Transaction	138
Fees for the limited audit at 31.03.21	14
Fees for the audit	47
TOTAL	198

Certification by the Manager in charge of preparing the corporate accounting documents**CERTIFICATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED 1.**

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

- a) the financial statements have been drawn up in a manner consistent with the administrative/accounting system and with the group structure;
- b) their adequacy has been verified;
- c) the administrative and accounting procedures for the preparation of the financial statements were duly applied during the period 1 January 2021 - 31 December 2021 to which the financial statements refer.

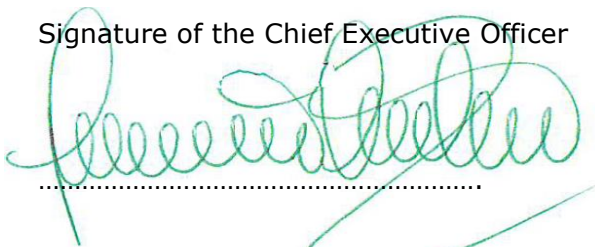
2. In this regard, no significant aspects emerged.

3. It is also certified that the financial statements at 31 December 2021:

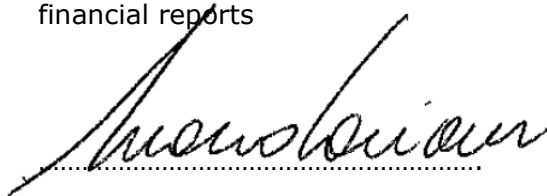
- a) correspond to the figures of the accounting books and records;
- b) are prepared in accordance with the applicable international accounting standards endorsed by the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002;
- c) provide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

Date 24 March 2022

Signature of the Chief Executive Officer



Signature of the Manager responsible for preparing the financial reports



Proposed resolution

Dear Shareholders

We propose to allocate the net profit for the year 2021, totalling Euro 16,332 thousand, as follows:

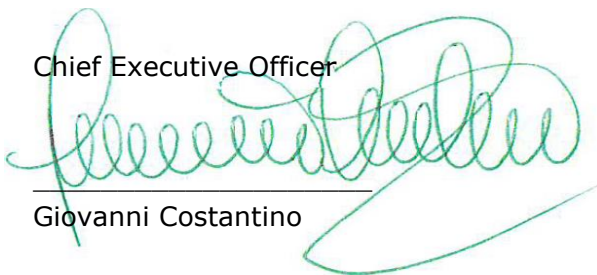
- increase the Legal Reserve by Euro 950 thousand in order to reach 20% of the share capital;
- distribute a dividend to the Shareholders, for a total of Euro 9,800 thousand;
- increase retained earnings for Euro 5,581 thousand;

Lastly, we invite you to approve the Annual Financial Statements at 31 December 2021 as well as the proposed allocation of the net profit for the year as indicated above.

Marina di Carrara, 24 March 2022

For the Board of Directors

Chief Executive Officer



Giovanni Costantino

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