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F E R R E T T I G R O U P

Ferretti S.p.A.

(Incorporated under the laws of Italy as a joint-stock company with limited liability)

(Stock Code: 09638)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

HIGHLIGHTS

The net revenue of the Group for the six months ended June 30, 2022 was approximately €534.9 million, representing an increase of approximately 17.0% as compared with that of approximately €457.2 million for the corresponding period in 2021.

The profit for the period of the Group for the six months ended June 30, 2022 was approximately €29.9 million, representing an increase of approximately 27.6% as compared with that of approximately €23.4 million for the corresponding period in 2021.

The adjusted EBITDA (including bank charges and guarantees, listing expenses, Management Incentive Plan, litigations, COVID-19 extra costs, and other minor non-recurring events) for the six months ended June 30, 2022 amounted to approximately €69 million, representing an increase of approximately 30.1% as compared with that of approximately €53 million for the corresponding period in 2021.

The Board hereby announces the interim unaudited consolidated financial results of the Group for the Relevant Period together with the unaudited comparative figures for the corresponding period in 2021 as follows:

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>(in thousands Euro)</i>	<i>Notes</i>	For the six months ended June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Revenue		555,641	474,035
Commissions and other costs related to revenue		(20,694)	(16,787)
NET REVENUE	2	534,948	457,248
Change in inventories of work-in-process, semi-finished and finished goods		2,826	(28,744)
Cost capitalised		14,625	13,315
Other income	3	7,716	5,961
Raw materials and consumables used	4	(260,839)	(211,893)
Contractors costs	4	(77,272)	(62,345)
Costs for trade shows, events and advertising		(9,493)	(3,586)
Other service costs	5	(61,053)	(41,005)
Rentals and leases		(3,733)	(3,035)
Personnel costs	6	(69,301)	(54,250)
Other operating expenses	7	(5,626)	(3,112)
Provisions and impairment		(26,859)	(17,624)
Depreciation and amortisation		(25,518)	(24,443)
Share of loss of a joint venture		(18)	0
Financial income	8	5	216
Financial expenses	8	(2,356)	(3,512)
Foreign exchange gains	8	11,100	825
PROFIT BEFORE TAX		29,151	24,015
Income tax		724	(597)
PROFIT FOR THE PERIOD		29,875	23,418
Attributable to:			
<i>Shareholders of the Company</i>		29,608	23,419
<i>Non-controlling interests</i>		266	(1)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
<i>Basic and diluted (€)</i>		0.09	0.09

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousands Euro)</i>	For the six months ended	
	June 30, 2022	June 30, 2021
	<i>Notes</i> (unaudited)	(unaudited)
PROFIT FOR THE PERIOD	29,875	23,418
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Profit on defined benefits plan	725	70
Income tax effect	(174)	(17)
	551	53
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Gains/(losses) from the translation of foreign operations	3,175	(1,855)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	3,726	(1,802)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	33,601	21,616
Attributable to:		
<i>Shareholders of the Company</i>	33,334	21,617
<i>Non-controlling interests</i>	266	(1)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands Euro)</i>	<i>Notes</i>	As at June 30, 2022 (unaudited)	As at December 31, 2021 (audited)
CURRENT ASSETS			
Cash and cash equivalents		441,434	173,010
Trade and other receivables	9	53,032	41,689
Contract assets		89,075	111,794
Inventories		142,520	144,387
Advances on inventories		30,283	24,606
Other current assets		5,625	8,731
Income tax recoverable		428	980
		762,397	505,199
NON-CURRENT ASSETS			
Property, plant and equipment		274,186	259,854
Intangible assets		257,431	258,174
Other non-current assets		45,862	5,189
Deferred tax assets		24,109	17,660
		601,587	540,877
TOTAL ASSETS		1,363,984	1,046,076
CURRENT LIABILITIES			
Accounts payable to shareholders		—	—
Bank and other borrowings		30,440	31,157
Provisions		46,903	31,056
Trade and other payables	10	313,885	278,809
Contract liabilities		161,497	131,664
Income tax payable		1,217	754
		553,942	473,440

<i>(in thousands Euro)</i>	<i>Notes</i>	As at June 30, 2022 (unaudited)	As at December 31, 2021 (audited)
NON-CURRENT LIABILITIES			
Bank and other borrowings		43,680	57,326
Provisions		11,408	9,383
Non-current employee benefits		6,369	7,506
Trade and other payables	10	305	355
		61,762	74,570
TOTAL LIABILITIES		615,704	548,010
SHARE CAPITAL AND RESERVES			
Share capital		338,483	250,735
Reserves		409,743	247,543
Equity attributable to shareholders of the Company		748,226	498,278
Non-controlling interests		55	(212)
TOTAL EQUITY		748,280	498,066
TOTAL LIABILITIES AND EQUITY		<u>1,363,984</u>	<u>1,046,076</u>

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in thousands Euro)</i>	For the six months ended	
	June 30, 2022	June 30, 2021
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	29,151	24,015
Depreciation and amortisation	25,518	24,443
Loss on disposal of property, plant and equipment	5	21
Provisions	16,735	3,304
Financial income	(5)	(216)
Financial expenses	2,294	3,507
Share of loss of joint venture	0	0
Impairment of trade receivables, net	500	95
Provision against inventories, net	27	(1,924)
	74,225	53,245
(Increase)/Decrease in inventories	(3,837)	31,630
Change in contract assets and contract liabilities	52,552	108,714
(Increase)/Decrease in trade and other receivables	(11,842)	3,128
Increase/(Decrease) in trade and other payables	35,026	(4,299)
Change in other operating liabilities and assets	(579)	(553)
	145,543	191,864
Income tax paid	(1,328)	0
Cash flows from operating activities (A)	144,215	191,864
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	(36,710)	(22,931)
Proceeds from disposal of property, plant and equipment and intangible assets	709	69
Acquisition of subsidiaries	0	(719)
Other financial investments	(42,987)	0
Interest received	5	216
Cash flows used in investing activities (B)	(78,983)	(23,365)

(in thousands Euro)

For the six months ended
June 30, 2022 June 30, 2021
(unaudited) (unaudited)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issue of shares	223,320	0
Dividends paid	(6,707)	(3,510)
New bank and other borrowings	0	56,456
Repayment of bank and other borrowings	(14,364)	(89,340)
Interest paid	(2,232)	(3,507)
	<hr/>	<hr/>
Cash flows from/(used in) financing activities (C)	200,017	(39,901)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	265,248	128,598
Cash and cash equivalents at the beginning of year/period (E)	173,010	32,830
Effect of foreign exchange rate changes, net (F)	3,175	(1,855)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (G=D+E+F)	441,434	159,573
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents as stated in the consolidated statement of financial position	441,434	159,573
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2021.

For the purposes of clarity and to make this document more readily understandable, all the amounts listed in the interim consolidated financial statements — income statement, comprehensive income statement, statement of financial position, cash flow statement, statement of changes in equity, the accompanying notes — are stated in thousands of Euro, except when otherwise indicated.

1.2 Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of new standards effective as of January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- Amendment to IFRS 3 — Business Combinations — References to the Conceptual Framework
- Amendments to IAS 16 — Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 — Onerous Contracts — Costs of Fulfilling a Contract
- IFRS 1 — First-time Adoption of International Financial Reporting Standards — Subsidiary as a First-time Adopter
- IFRS 9 — Financial Instruments — Fees in the “10 per Cent” Test for Derecognition of Financial Liabilities
- Annual Improvements to IFRSs 2018–2020 — Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides the breakdown of the item Net Revenue for the six months ended June 30, 2022, compared with the same item for the same period ended June 30, 2021:

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Total Revenue from contracts with customers	555,641	474,035
<i>Commissions and other costs related to revenue</i>	<u>(20,694)</u>	<u>(16,787)</u>
Total Net Revenue	<u>534,948</u>	<u>457,248</u>

The table below shows the breakdown of Net Revenue by production type:

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Composite yachts	233,710	236,399
Made-To-Measure yachts	201,286	126,868
Super yachts	48,928	39,065
Other businesses	<u>51,024</u>	<u>54,917</u>
Total Net Revenue	<u>534,948</u>	<u>457,248</u>

Net Revenue arising from other businesses is broken down below.

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Boat brokerage	6,691	7,426
Sales and provision of carpentry products and services	7,562	7,091
FSD	459	6,082
Used boats	24,328	30,324
Provision of services and sales of replacement parts, merchandise and other goods	7,861	3,993
Wally Sailboats	<u>4,124</u>	<u>0</u>
Total Other businesses	<u>51,024</u>	<u>54,917</u>

In accordance with IFRS 15, the Group identified the revenue streams, including the main ones:

- Sale of yachts to order;
- Sale of used boats.

Regarding the sale of yachts to order (sale of composite yachts, made-to-measure yachts and super yachts), the Group considers that the only performance obligation contained in the sales contracts is the building of the vessel, with no significant accessory services or further activities.

This performance obligation is satisfied over time of construction of boats. The payment terms are agreed with the customers on a case by case basis to match cash requirements for the production. Advance payments are agreed with each customer on the basis of the time needed to construct the boats and are paid before the completion of the construction. These contracts do not include obligations for returns, refunds and other similar obligations, however the vessels are covered by a warranty which is included in a range between 18 and 24 months.

Commissions and other costs related to revenue mainly represents the costs incurred by the Group for the intermediation activities carried out by the dealers and brokers.

“Boat brokerage” refer to the activity related to yacht brokerage and yacht charters performed by the U.S. subsidiary Allied Marine.

“Sales and provision of carpentry products and services” relate entirely to subsidiary Zago S.p.A., concerning assembly works and wooden furnishings for yachts of over 100 feet produced by third-party sites and cruise ships.

“Provision of services and sales of replacement parts, merchandise and other goods” partly refer to the refit activity that the Group carried out, and partly regard the sale of replacement parts and other assistance services rendered in Italy and worldwide on boats previously sold. In addition, in 2022 as well the Group continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

The breakdown of Net Revenue by geographical area was as follows:

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
EMEA	225,641	154,211
APAC	38,063	29,035
AMAS	171,293	180,021
Global*	48,928	39,065
Other businesses	51,024	54,917
Total Net Revenue	<u>534,948</u>	<u>457,248</u>

* The item “Global” refers to net revenue from super-yachts not attributed to a single geographical area because, for example, the client’s country of residence differs from the country of registration of the vessel.

In accordance with IFRS 15, Net Revenue are show below with a breakdown into obligations fulfilled at a point in time and those that are fulfilled over time.

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
At a point in time	50,421	45,029
Over time	484,526	412,219
Total Net Revenue	<u>534,948</u>	<u>457,248</u>

The table below shows the amount of revenue from recognised contract liabilities which had been included among contract liabilities at the beginning of the period:

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Revenue from contract liabilities	101,912	43,859

The following table shows the amount of contracts outstanding at June 30, 2022 which will be converted into revenue from contracts with customers within one year or after one year.

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Within one year	514,414	361,765
After one year	174,181	71,328
	<u>688,594</u>	<u>433,093</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of new boats, of which the performance obligation is to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

3. OTHER INCOME

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Cost over-accruals	1,076	683
Damage settlements	1,291	690
Gain on sales of assets	10	5
Discounts from suppliers	956	1,595
Rental income	430	456
Rebilling of miscellaneous costs to customers and dealers	245	162
Others	3,708	2,370
Total Other income	<u>7,716</u>	<u>5,961</u>

The item “Cost over-accruals” mainly refers to differences on cost forecasts recorded in the previous years for the supplies of services and raw materials, whose final account proved to be lower.

The item “Damage settlements” refers primarily to the estimated proceeds of insurance payouts related in particular to damages occurred to the Company’s shipyard in Cattolica (Rimini) on January 11, 2022, due to the fire that destroyed one boat. The corresponding actual claim amount is in progress.

The item “Discounts from suppliers” regards the discounts received from suppliers which co-operate with the Group, and the Company in particular, in accordance with the sales agreements entered into in the reporting period.

The item “Others” includes, approximately €799 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

4. RAW MATERIALS AND CONSUMABLES USED/CONTRACTORS COSTS

The item “Raw materials and consumables used” primarily reflects purchases of raw and ancillary materials used in production and the change for the six months period in the corresponding inventories.

The item “Contractors costs” consists mainly of the costs incurred to outsource certain phases of the production process. This is because the boat building process can include the use of external companies as contractors for the construction and assembly of onboard equipment installed in Group boats.

5. OTHER SERVICE COSTS

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Transportation, insurance and customs clearing costs	9,689	7,912
Technical consulting	7,163	5,957
Tax, legal and administrative consulting services	6,231	3,359
Fees to members of corporate governance bodies	3,167	1,685
Management Incentive Plan	3,213	—
Utilities	4,450	2,158
Insurance	3,128	2,222
Maintenance	2,227	1,520
Entertainment expenses	1,957	577
Travel and per diem expenses	1,690	785
Recruiting and training costs	1,340	1,335
Other	16,798	13,494
	<hr/>	<hr/>
Total other service costs	<u>61,053</u>	<u>41,005</u>

6. PERSONNEL COSTS

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Wages and salaries	52,588	38,306
Social security contributions	14,467	13,588
Non-current employee benefits and other provisions	2,246	2,357
	<hr/>	<hr/>
Total personnel costs	<u>69,301</u>	<u>54,250</u>

7. OTHER OPERATING EXPENSES

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Cost under-accruals	2,493	794
Re-billable costs	781	172
Taxes and fees other than income taxes	743	678
Memberships in trade associations	323	248
Settlement agreements	228	810
Advertising and promotional material	147	126
Loss on asset sales	6	27
Loss on receivables	0	86
Sundry operating costs	905	173
	<hr/>	<hr/>
Total other operating expenses	<u>5,626</u>	<u>3,112</u>

“Cost under-accruals” referred mainly to the higher costs incurred during the six months period in excess of the provisions recognised in the financial year ended December 31, 2021 for supplies pertaining to the previous years.

The item “Settlement agreements” related to several private agreements entered into in the course of the period.

The item “Taxes and fees other than income taxes” includes the cost of IMU (municipal property tax), stamp duty, Tari (waste tax) and other minor taxes.

“Sundry operating costs” includes mainly charitable contributions, gifts, fines, stamp duties, etc.

8. FINANCIAL INCOME AND EXPENSES

Financial income

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Interest income from banks	4	214
Interest and other financial income	1	2
	<hr/>	<hr/>
Total financial income	<u>5</u>	<u>216</u>

Financial expenses

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Interest on bank and other loans	(1,594)	(2,615)
Interest on lease liabilities	(61)	(90)
Interest on provision for severance benefits and pensions	(28)	(5)
Other financial expenses	(673)	(802)
	<hr/>	<hr/>
Total financial expenses	<u>(2,356)</u>	<u>(3,512)</u>

Foreign exchange gains

At June 30, 2022, the Group does not have exchange rate risk hedging contracts in force; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at June 30, 2022.

The gains realised in the first half of 2022 are mainly related for €11.4 million to the conversion into Euro at a favourable exchange rate of the listing proceeds collected in HKD.

9. TRADE AND OTHER RECEIVABLES

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Trade receivables	8,277	9,124
Other receivables	44,755	32,565
	<hr/>	<hr/>
Total trade and other receivables	<u>53,032</u>	<u>41,689</u>

Trade receivables

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Accounts receivable from customers	11,612	14,869
(Less) Provision for doubtful accounts	(3,336)	(5,745)
	<hr/>	<hr/>
Total trade receivables	<u>8,277</u>	<u>9,124</u>

“Accounts receivable from customers” of the Group relate primarily to sales and services other than sale of new boats, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising and provision of joinery works. These are considered to be receivable within 12 months. Payment terms are agreed with customers on a case by case basis.

The provision for doubtful accounts, calculated by the Group in compliance with IFRS 9, changed as follows in the two periods of reference:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
At the beginning of year	5,744	6,589
Impairment losses, net	500	746
Utilisations during the period	(2,908)	(1,590)
	<hr/>	<hr/>
At the end of period	<u>3,336</u>	<u>5,745</u>

An impairment analysis is performed at the end of each of the periods to measure expected credit losses. The provision rates are based on the ageing for each specific customer. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Other receivables

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Other tax receivables	16,061	16,825
Accruals, deferrals and other receivables	28,694	15,740
	<hr/>	<hr/>
Total other receivables	<u>44,755</u>	<u>32,565</u>

The item "Accruals, deferrals and other receivables" may be broken down as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Receivables owed by social security institutions	273	396
Advances, prepayments and sundry receivables from suppliers	21,195	8,287
Others	204	291
Accruals and deferrals	7,023	6,766
	<hr/>	<hr/>
Total accruals, deferrals and other receivables	<u>28,694</u>	<u>15,740</u>

As at the end of each of the periods, the loss allowance of other receivables was assessed to be minimal.

10. TRADE AND OTHER PAYABLES

A breakdown of this item is as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Trade payables	266,222	238,687
Other payables	47,968	40,477
	<hr/>	<hr/>
Total trade and other payables	314,190	279,164

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Trade and other payables — current	313,885	278,809
Trade and other payables — non-current	305	355
	<hr/>	<hr/>
Total trade and other payables	314,190	279,164

Trade payables

A breakdown of this item is as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Account payables to suppliers	266,222	238,687
	<hr/>	<hr/>
Total trade payables	266,222	238,687

“Accounts payable to suppliers” relate to the amount due to suppliers for ordinary commercial supplies of services and materials, at arm’s length.

Other payables

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Payables due to pension and social security institutions	10,458	11,781
Amounts payable to employees	15,382	17,824
Amounts payable to directors	1,621	1,255
Amounts payable for Management Incentive plan	10,709	0
Other tax payable	4,588	5,190
Miscellaneous payables	3,611	3,468
Accrued expenses	1,123	432
Deferred income	171	172
Government authorisation fees	305	355
	<hr/>	<hr/>
Total other payables	<u>47,968</u>	<u>40,477</u>

Amounts payable for Management Incentive Plan refers to the bonus related to IPO.

11. DIVIDENDS

During the six months ended June 30, 2022, the Company distributed dividends of €6,707,160, as approved at the General Meeting held on May 25, 2022 that resolved to allocate a portion of profit for the year ended December 31, 2021 to dividends (€1.98 cents per ordinary share).

The shareholders' meeting of the Company held on May 11, 2021 resolved to allocate a portion of profit for the year ended December 31, 2020 to dividends (€1.40 cents per ordinary share).

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Earnings per share were calculated as the ratio of profit attributable to shareholders of the Company to the number of shares outstanding at year end which is equal to the weighted average number of shares in issue during the six months ended June 30, 2022 and 2021, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Profit attributable to shareholders of the Company (in thousands Euro)	29,608	23,419
Number of ordinary shares	<u>338,482,654</u>	<u>250,734,954</u>
Earnings per share attributable to shareholders of the Company: Basic and diluted (in Euro)	<u>0.09</u>	<u>0.09</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established leader in the global luxury yacht industry with a portfolio of iconic brands of a long heritage and outstanding high-end manufacturing capabilities. As one of the oldest Italian luxury yacht producers, it has been playing an important role in steering the development of the global luxury yacht industry by acquiring and integrating other leading yacht brands and production facilities since the establishment of the business in 1968. Its seven brands — Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line — are globally recognized as symbols of luxury, exclusivity, Italian design, quality, craftsmanship, innovation and performance. The Group designs, produces and sells luxury composite yachts, made-to-measure yachts and super yachts from eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of its clientele. With its market leadership, rich history and iconic brand portfolio, the Group is positioned as the trend-setter of the global luxury yachting industry and the ambassador of Italian nautical excellence to the world.

Each of its brands is associated with exclusivity and differs in style and technical performance characteristics with distinctive features and precise identities. This iconic and complementary brand portfolio allows the Group to comprehensively cover the high-end luxury segments of its addressable market and targeted client profiles. Its multi-brand business model relies on independent teams dedicated to each brand that carry out product development, and formulate and manage sales and communication strategies to unlock the commercial potential of each brand, thus nurturing their unique identity. Meanwhile, the Group can benefit from enhanced operational efficiency from the centralized functions at the Group level, such as procurement and engineering.

Over the years, the Group has cultivated a premium and loyal clientele of highly sophisticated VHNWIs and UHNWIs, empowered by its effective sales model. The Group has established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling it to reach customers globally.

The Group owns and operates six shipyards, and a production plant for interior fittings and customized furnishings, all located at the heart of the world-famous Italian nautical districts. This strategic choice allows it to continuously enhance its production process, while ensuring an uncompromised focus on product quality and technical performance by leveraging the proximity of our network of suppliers and contractors. The Group designs and manufactures luxury interior fittings and customized furnishings for its yachts on a vertically integrated basis, as part of its ongoing efforts to meet the demands for high-end customization and to further increase its competitiveness.

The comprehensive yachting ecosystem that the Group created, which encompasses luxury yachts and ancillary services, enables it to enhance customer satisfaction and loyalty. Its ancillary businesses provide synergies with its yacht manufacturing business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities, such as lifestyle merchandise collection; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, the Group also offers trade-in opportunities to its customers as a complementary service and a lever to facilitate the sales of new yachts. In addition, the Group has tapped into the global coastal patrol and rescue vessel industry with the launch of FSD, the security vessel business division. By leveraging its accumulated know-how and resources and by exploiting already existing product platforms, the Group is well-positioned to seize the growing opportunities in this flourishing market.

OUTLOOK AND FUTURE PLAN

Looking ahead, the Group is well-positioned to benefit from a growing market with a size of €20.8 billion in 2021 and forecasted to reach €26.8 billion by 2025.

The Group continues to see repeating and new customers in pursuit of privacy, safety and freedom. The Group witnessed the growing trend in the past few years since the outbreak of the COVID-19 pandemic. COVID-19 has to a certain extent, changed the “traditional” customer perception and significantly increased the market desire for yachts, further stimulating industry growth with a trend which is expected to become a “new normal”.

The effect of all this is visible in the strong order intake, with an increase of 30% in the Relevant Period compared to the six months ended June 30, 2021. Furthermore, when comparing the Relevant Period with the year 2021, new orders already reached 66% of 2021, leading to an even stronger order backlog for the Relevant Period of more than €1.2 billion representing a growth of approximately 20% compared to December 2021, and a growth of approximately 49% compared to the order backlog for the six months ended June 30, 2021. All these lead to a very positive outlook for the upcoming months and support the future plans of the Group.

As stated in the Prospectus, the Group’s future plans are based on four strategic pillars:

- The Group will continue to expand its product portfolio in composite and made-to-measure segments with a focus on yachts above 80 feet, increasing the size and customization of its products.
- The Group will fill the gap between its largest made-to-measure yacht and its full custom, by developing branded alloy super yachts that will leverage on CRN’s experience and its iconic brands.

- The Group will vertically integrate part of its value chain, by internalizing a portion of glass-reinforced plastic and carbon-fiber hull production and the construction of Wally sail and by acquiring four to five key suppliers.
- Finally, the Group will increase its offering of ancillary services, such as crew management, chartering, brokerage and refitting, by acquiring a leading brokerage house and one or more refitting facilities in the Mediterranean.

FINANCIAL REVIEW

Net Revenue

The Group's net revenue increased by approximately 17.0% from approximately €457.2 million for the six months ended June 30, 2021 to approximately €534.9 million for the Relevant Period. The following table summarises the net revenue by business lines during the periods indicated:

	Six months ended June 30,			
	2022		2021	
	(Unaudited)		(Unaudited)	
		% of		% of
<i>(In thousands Euro, except percentages)</i>	Net	Total Net	Net	Total Net
	Revenue	Revenue	Revenue	Revenue
Composite yachts	233,710	43.7%	236,399	51.7%
Made-to-measure yachts	201,286	37.6%	126,868	27.7%
Super yachts	48,928	9.1%	39,065	8.5%
Other businesses ⁽¹⁾	51,024	9.5%	54,917	12.0%
Total	<u>534,948</u>	<u>100%</u>	<u>457,248</u>	<u>100%</u>

Note: (1) Mainly comprising revenue from ancillary businesses and the FSD.

(i) Sales of Composite Yachts

The Group's revenue from the sales of composite yachts are substantially in line in the two periods and are approximately €236 million for the six months ended June 30, 2021 and €234 million for the Relevant Period.

(ii) Sales of Made-to-Measure Yachts

The Group's revenue from the sales of made-to-measure yachts increased by approximately 58.7% from approximately €127 million for the six months ended June 30, 2021 to approximately €201 million for the Relevant Period. The increase in revenue was mainly due to an increase in order intake mainly driven by the same factors mentioned above. Specifically, the Group's order intake for made-to-measure yachts increased from €167 million for the six months ended June 30, 2021 to €247 million for the Relevant Period.

(iii) Sales of Super Yachts

The Group's revenue from the sales of super yachts increased by approximately 25.2% from approximately €39 million for the six months ended June 30, 2021 to approximately €49 million for the Relevant Period. The increase in revenue was mainly due to an increase in order intake amounting to €105 million for the six months ended June 30, 2022.

(iv) Other Businesses

The Group's revenue generated from other businesses decreased by approximately 7.1% from approximately €55 million for the six months ended June 30, 2021 to approximately €51 million for the Relevant Period mainly due to the decrease in sales of pre-owned yachts that are to be considered a marketing tool targeting selected customers rather than an effective and strategic business line.

Raw Materials and Consumables Used

The Group's raw materials and consumables used increased by approximately 23.1% from approximately €211.9 million for the six months ended June 30, 2021 to approximately €260.8 million for the Relevant Period. Such increase was mainly due to an increase in production activities driven by an increase in order intake.

For the Reporting Period, among the Group's raw materials and consumables used, it incurred COVID-19 extra-costs of €98 thousand and €33 thousand for other extra-costs.

Contractors Costs

The Group's contractors costs increased by approximately 23.9% from approximately €62.3 million for the six months ended June 30, 2021 to approximately €77.3 million for the Relevant Period. Such increase was mainly attributable to an increase in production activities driven by an increase in order intake.

Costs for Trade Shows, Events and Advertising

The Group's costs for trade shows, events and advertising increased by approximately 164.7% from approximately €3.6 million for the six months ended June 30, 2021 to approximately €9.5 million for the Relevant Period mainly due to the cancellation of the Group's non-attendance at major boat shows for the six months ended June 30, 2021 as a result of the outbreak of COVID-19 pandemic. As the Group resumed its attendance of these shows and events during the Relevant Period, its costs increased.

For the Reporting Period, among the Group's costs for trade shows, events and advertising, it incurred an extra-costs of €1.4 million.

Other Service Costs

The Group's service costs increased by approximately 48.9% from approximately €41.0 million for the six months ended June 30, 2021 to approximately €61.1 million for the Relevant Period due to (i) an increase in the cost incurred for the Listing and other related expenses for €8.2 million; (ii) an increase in service costs for production volumes, comprising insurance, transportation, cleaning and security; and (iii) an increase in utilities costs.

For the Reporting Period, among the Group's other service costs, it incurred costs related to the Listing and Management Incentive Plan of €8.2 million, COVID-19 extra-costs of €1.2 million, and other non-recurring costs of €68 thousand.

Other Operating Expenses

The Group's other operating expenses increased from approximately €3.1 million for the six months ended June 30, 2021 to approximately €5.6 million for the Relevant Period mainly due to the increase of the production volumes.

Income Tax Expenses

The Group recorded income tax benefit of €724 thousand for the Relevant Period and income tax expenses of €597 thousand for the six months period ended June 30, 2021. The tax expenses decreased by approximately 221.3% mainly due to the deferred tax positive effect on some accrued costs.

Net Profit

The Group's profit for the period increased by approximately 27.6% from approximately €23.4 million for the six months ended June 30, 2021 to approximately €29.9 million for the Relevant Period mainly due to the reasons discussed above.

Non-IFRS Measure

To supplement the Group's consolidated income statements which are presented in accordance with IFRS, EBITDA, adjusted EBITDA, adjusted EBITDA/net revenue without pre-owned, being non-IFRS measures, were also presented. The Group is of the view that this measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items and believes that this measure provides useful information to understand and evaluate the Group's consolidated income statements in the same manner as they help the Group's management. However, the Group's presentation of EBITDA may not be comparable to similar terms used by other companies. The use of this measure has limitations as an analytical tool, as such, it should not be considered in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

The Company defines (i) EBITDA as profit after tax plus financial expenses (including the result of foreign exchange conversion), depreciation and amortization, and income tax expense, and less financial income and income tax benefit; (ii) adjusted EBITDA as EBITDA adjusted by adding back certain special items (including bank charges and guarantees, listing expenses, Management Incentive Plan, litigations, COVID-19 extra costs, and other minor non-recurring events); and (iii) net revenue without pre-owned as net revenue excluding revenue generated from the trading of pre-owned yachts.

The table below sets forth the reconciliations of the Group's non-IFRS measure to the nearest measures prepared in accordance with IFRS for the years indicated:

<i>(In thousands Euro, except percentages)</i>	June 30, 2022 (unaudited)	June 30, 2021 (unaudited)
Net revenue without pre-owned	510,619	426,924
Revenues pre-owned	24,328	30,324
Net revenue	534,948	457,248
Operating costs	(465,910)	(404,198)
Adjusted EBITDA	69,037	53,050
Special items	(23,099)	(2,121)
EBITDA	45,939	50,929
Depreciations and amortization	(25,518)	(24,443)
Financial income, financial expenses	8,730	(2,471)
Profit before tax	29,151	24,015
Income tax	724	(597)
Profit after tax	29,875	23,418
Adjusted EBITDA/Net revenue without pre-owned	13.5%	12.4%

Certain expenses incurred for the Relevant Period were listing-related. The Group's adjusted EBITDA (including bank charges and guarantees listing expenses, Management Incentive Plan, litigations, COVID-19 extra costs, and other minor non-recurring events) for the Relevant Period amounted to approximately €69 million, increased by approximately 30.1% for the six months ended June 30, 2021 which amounted to approximately €53 million, demonstrating the increase in profitability of the Group's operating performance.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

During the Relevant Period, the Group financed its operations mainly by cash generated from operations.

As at June 30, 2022, the Group had cash and cash equivalents of approximately €441 million (as at December 31, 2021: approximately €173 million).

Taking into account the cash flow generated from operations and the net proceeds from the Listing, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this announcement.

Capital Structure

A. *Borrowing*

The total bank borrowing of the Group as at June 30, 2022 was approximately €74.1 million (as at December 31, 2021: €88.5 million) which was originally denominated in Euro, so it did not have any foreign exchange impact on its financial statements during the Relevant Period. The bank borrowing was interest-bearing, secured and unsecured. During the Relevant Period, the Group did not experience any difficulties in utilising its banking facilities with its lenders.

B. *Gearing Ratio*

As at June 30, 2022, the Group's gearing ratio was approximately 9.9% (as at December 31, 2021: 17.8%), calculated as the total indebtedness divided by total equity as at the end of the Relevant Period multiplied by 100%. The decrease was mainly due to the increase in share capital related to the Listing. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as the debt level of the Group was very low as at the end of the Relevant Period.

Treasury Policies

The Group continues to adopt a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Board closely monitors the liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Pledge of Assets

As at December 31, 2021, the Group's bank borrowings were secured by certain of the Group's buildings, which amounted to €85.4 million. As at June 30, 2022, the Group did not pledge any further assets in comparison with December 31, 2021.

Contingent Liabilities

As at June 30, 2022 and 2021, the Group did not have any material contingent liabilities.

Significant Investments, material acquisitions and disposals, plans for significant investment of acquisition of material capital assets

During the Relevant Period, the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures. Save for the expansion plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Company has no specific plans for significant investments or acquisitions of material capital assets.

Foreign Currency Exposure

Majority of the Group's generating activities and borrowings were denominated in Euro. The Group is exposed to foreign currency risk arising from fluctuations in exchange rates between Euro against USD. The Group uses foreign currency forward contracts to hedge its exposure to foreign currency risks in connection with forecast transactions and firm commitments. As at December 31, 2021 and June 30, 2022, there were no currency forwards in place.

Human Resources

As at June 30, 2022, the Group had approximately 1,670 full-time employees, of which 1,607 were based in the EMEA and 63 were based in AMAS and APAC. The total cost of staff for the six months ended June 30, 2022 was €69.3 million as compared to €54.3 million as at June 30, 2021. The increase was mainly attributable to the Management Incentive Plan costs and the increase in work force.

Going Concern

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements in this announcement were prepared on a "going concern" basis.

INTERIM DIVIDEND

The Board does not recommend payment of an interim dividend for the Reporting Period.

SHARE OPTION SCHEME

On May 25, 2022, the Company adopted the Share Option Scheme. Under the Share Option Scheme, the Board may, at their absolute discretion, at any time within a period of ten years commencing from May 25, 2022 offer to grant to any eligible persons, including Director, chief executive or substantial shareholder of the Company or any of their respective associates, any employee (whether full time or part-time) of the Group or its affiliates, options to subscribe for Shares. Details of the Share Option Scheme are set out in the circular of the Company dated April 29, 2022.

No options were granted, exercised or cancelled or lapsed under the Share Option Scheme during the Relevant Period.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, upon the Listing and up to June 30, 2022, the Company maintained the amount of public float as required under the Listing Rules.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the issue of 4,167,700 Shares pursuant to the over-allotment option granted by the Company to the sole global coordinator for the Global Offering, since the Listing Date up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering and the exercise of over-allotment option of approximately HKD1,862.94 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. As at June 30, 2022, none of the net proceeds from the Global Offering had been utilized.

CORPORATE GOVERNANCE

The Board strives to uphold the principles of corporate governance set out in the CG Code contained in Appendix 14 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

Since the Listing Date to June 30, 2022, the Company complied with the code provisions as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this announcement.

REVIEW BY AUDIT COMMITTEE

We have established the Audit Committee on December 21, 2021 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code.

The Audit Committee has four members, Mr. Patrick Sun, Mr. Stefano Domenicali, Mr. Hua Fengmao and Mr. Li Xinghao, with Mr. Sun currently serving as the chairman. Mr. Sun has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The interim results of the Group for the Relevant Period are unaudited and have not been reviewed by the external auditor of the Company. The Audit Committee has reviewed with the management of the Company the unaudited financial statements, the interim results announcement and the interim report of the Company for the Relevant Period and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements of the Company for the Relevant Period complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

RETIREMENT OF ERNST & YOUNG AS ONE OF THE JOINT AUDITORS

Reference is made to the Prospectus, which stated that Ernst & Young (“**EY HK**”) and EY S.p.A. (“**EY Italy**”) would jointly audit the Company’s consolidated financial statements for the year ended December 31, 2021 and that the Company intends for EY Italy to act as the Company’s sole auditor for its consolidated financial statements for the year ending December 31, 2022 and thereafter.

EY HK has informed the Board on May 25, 2022 that it will retire as one of the joint auditors of the Company (the “**Joint Auditor(s)**”) upon the expiration of its term of office at the annual general meeting of the Company held on May 25, 2022 (the “**AGM**”).

Following the retirement of EY HK at the conclusion of the AGM, EY Italy, being the other Joint Auditor, will remain as the sole auditor of the Company until the approval of the financial statements for the financial year ending December 31, 2022.

EY HK provided its written confirmation to the Board and the Audit Committee that there are no matters connected with its retirement that it considers should be brought to the attention of the Shareholders. The Board and the Audit Committee also confirmed that, to the best of their knowledge and understanding, there are no matters in respect of the retirement of EY HK that need to be brought to the attention of the Shareholders.

EVENTS AFTER THE RELEVANT PERIOD

There is no material event after the Relevant Period and up to the date of approving this interim results.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the designated website of the Stock Exchange (<http://www.hkexnews.hk>) under “Listed Company Information” and the website of the Company (www.ferrettigroup.com) under “Investor Relations”. The interim report of the Company for the six months ended June 30, 2022 will be sent to Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“AMAS”	North America, Central America and South America
“APAC”	Asia-Pacific
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Company”	Ferretti S.p.A., a company incorporated under the laws of Italy as a joint-stock company with limited liability, the shares of which are listed on the Main Board (Stock code: 9638)
“COVID-19”	the Coronavirus Disease 2019
“Director(s)”	the director(s) of the Company
“EMEA”	Europe, Middle East and Africa
“Euro” or “€”	the lawful currency of the member states of the European Union participating in the third stage of the European Union’s Economic and Monetary Union
“FSD”	Ferretti Security Division business, a division of the Company that designs, develops and manufactures coastal patrol vessels
“Global Offering”	the public offering of the Shares as defined and described in the Prospectus
“Group”	the Company and its subsidiaries

“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	March 31, 2022, the date on which the Shares are listed and dealings in the Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, modified or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Management Incentive Plan”	a management incentive plan approved on December 21, 2021, setting out incentives for the Group’s senior management and other employees
“PRC”	the People’s Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated March 22, 2022 in relation to the Global Offering and the Listing
“Reporting Period” or “Relevant Period”	the six months ended June 30, 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme adopted by the Company on May 25, 2022

“Share(s)”	ordinary share(s) with no nominal value in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“UHNWIs”	persons who have a net worth with investable and liquid assets in excess of 50 million U.S. dollars
“USD” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States of America
“VHNWIs”	persons who have a net worth with investable and liquid assets of five million to 50 million U.S. dollars
“%”	per cent

By Order of the Board
Ferretti S.p.A.
Mr. Alberto Galassi
Executive Director and Chief Executive Officer

Hong Kong, August 4, 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Alberto Galassi as executive Director; Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu and Mr. Li Xinghao as non-executive Directors; and Mr. Hua Fengmao, Mr. Stefano Domenicali and Mr. Patrick Sun as independent non-executive Directors.