



FERRETTIGROUP

2023 Interim Report



FERRETTI S.P.A. (incorporated under the laws of Italy as a joint-stock company with limited liability)

HKEX code: 9638 | Euronext code: YACHT.MI



PERASHING

ITAMA

Riva

CRN

CUSTOM LINE

Contents

Corporate Information	2
Financial Summary	4
Chairman's Statement	5
Management Discussion and Analysis	10
Corporate Governance and Other Information	22
Review Report of the Independent Auditor	29
Interim Condensed Consolidated Financial Statements <i>(English translation for the convenience of international readers)</i>	30
Notes to the Interim Condensed Consolidated Financial Statements	37
Statement on the Interim Condensed Consolidated Financial Statements as at June 30, 2023 pursuant to Art. 154-BIS, Paragraph 5, of Legislative Decree No. 58/98 as amended and supplemented	98
Definitions	99



Corporate Information

EXECUTIVE DIRECTORS

Mr. Alberto Galassi (*Chief Executive Officer*)
Mr. Xu Xinyu (徐新玉)

NON-EXECUTIVE DIRECTORS

Mr. Tan Xuguang (譚旭光) (*Chairman*)
Mr. Piero Ferrari (*Honorary Chairman*)
Mr. Li Xinghao (李星昊)
Ms. Jiang Lan (Lansi) (蔣嵐)
(appointed on May 18, 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hua Fengmao (華風茂)
Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)

AUDIT COMMITTEE

Mr. Patrick Sun (辛定華) (*Chairman*)
Mr. Hua Fengmao (華風茂)
Mr. Li Xinghao (李星昊)
Mr. Stefano Domenicali

REMUNERATION COMMITTEE

Mr. Stefano Domenicali (*Chairman*)
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Mr. Hua Fengmao (華風茂)
Mr. Patrick Sun (辛定華)

NOMINATION COMMITTEE

Mr. Tan Xuguang (譚旭光) (*Chairman*)
Mr. Alberto Galassi
Mr. Hua Fengmao (華風茂)
Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Tan Xuguang (譚旭光) (*Chairman*)
Mr. Alberto Galassi
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Mr. Hua Fengmao (華風茂)
Ms. Jiang Lan (Lansi) (蔣嵐)

BOARD OF STATUTORY AUDITORS

Mr. Luigi Capitani (*Chairman*)
Mr. Luca Nicodemi
Ms. Giuseppina Manzo
Ms. Tiziana Vallone
Ms. Federica Marone

JOINT COMPANY SECRETARIES PURSUANT TO THE HONG KONG LISTING RULES

Mr. Niccolò Pallesi
Ms. Wong Hoi Ting (*ACG, HKACG*)

SECRETARY OF THE BOARD

Mr. Li Xinghao (李星昊)

AUTHORIZED REPRESENTATIVES

Mr. Alberto Galassi
Ms. Wong Hoi Ting

COMPANY'S REGISTERED OFFICE AND HEADQUARTER OFFICE

Via Irma Bandiera 62,
47841 Cattolica (RN),
Italy

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street
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Hong Kong

INDEPENDENT AUDITOR

EY S.p.A.
Independent Auditor registered in the Register Held by MEF (Italian Ministry of Economy and Finance) and Recognized PIE Auditor under the Financial Reporting Council Ordinance (Cap. 588)
Via Meravigli, 12
20123 Milan
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EXECUTIVE RESPONSIBLE FOR THE CORPORATE FINANCIAL DOCUMENTS

Mr. Marco Zammarchi

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WEBSITE

www.ferrettigroup.com

STOCK CODES

HKEX: 9638
EXM: YACHT

Financial Summary

RESULTS

<i>(in thousands Euro)</i>	Six months ended June 30,		Percentage increase/ decrease
	2023 (unaudited)	2022 (unaudited)	
Net revenue	580,841	534,948	8.6%
Profit before tax	55,512	29,151	90.4%
Income tax	(14,658)	724	n.a.
Profit for the period	40,448	29,608	36.6%

ASSETS AND LIABILITIES

<i>(in thousands Euro)</i>	As at June 30, 2023 (unaudited)	As at December 31, 2022 (audited)	Percentage increase/ decrease
	Total Assets	1,484,881	
Total Liabilities	(687,471)	(629,165)	9.3%

KEY FINANCIAL RATIOS

	As at June 30, 2023 (unaudited)	As at December 31, 2022 (audited)	Percentage increase/ decrease
Profitability Ratios			
Ratio on equity	10.4%	9.5%	8.2%
Ratio on total assets	5.6%	4.9%	16.3%
Liquidity Ratios			
Current ratio	1.4	1.3	8.5%
Quick ratio	0.9	1.1	(14.6)%
Capital Adequacy Ratio			
Gearing ratio	4.5%	5.1%	(11.9)%

1 REVIEW OF OPERATING CONDITIONS

The first half year of 2023 saw the Group successfully landing on Euronext Milan. This debut followed the 2022 listing on the Hong Kong Stock Exchange, making Ferretti the first Company to be listed in both the Hong Kong Stock Exchange and the Euronext Milan.

The offer price was set at €3.00 per Share and attracted broad interest among leading Italian and international institutional investors, resulting in a widened and strengthened institutional Shareholder base of the Company.

Based on the offer price, the Company's market capitalization as of the first day of trading of the Shares on the Euronext Milan was equal to approximately €1 billion.

EXM Listing will allow the Group to further consolidate its positioning as a global leader in the luxury yacht arena.

During the Relevant Period, the Group recorded an increase in net revenue, reaching approximately €581 million and representing an 8.6% increase as compared to the six months ended June 30, 2022.

As far as the Group's profitability is concerned, adjusted EBITDA amounted to approximately €83.4 million, increasing 20.9% in comparison with the figure reported for the six months ended June 30, 2022 (€69.0 million). The increase was also significant in percentage terms, with an adjusted EBITDA margin reaching 14.7% or 120 basis points higher than that of the six months ended June 30, 2022. Finally, net profit increased by 36.8% compared to the previous year to a value of approximately €40.9 million.

For the second half of 2023, we expect a sustained growth backed up by a consistent order backlog of approximately €1.4 billion.

1.1 Yacht Manufacturing Business

Ferretti Group upheld an innovation-driven approach to maintain its market-leading position in its core business, placing great emphasis on research and development. Leveraging the substantial investments in research and development, Ferretti Group has been continuously renewing and broadening its product portfolio with technological and design innovation, allowing it to stay abreast of the rapidly evolving preferences and expectations of its clientele.

The launch of new models for composite and made-to-measure yachts, together with a growing interest in super yachts allowed the Group to attract new customers while also continuing to nurture the interest of Ferretti Group's loyal clients.

As a remark, the strategy of moving towards larger and more customizable yachts is paying off, with a growing total revenue across all segments:

- Net revenue from the sales of composite yachts increased by approximately 11.2% from approximately €234 million for the six months ended June 30, 2022 to approximately €260 million for the six months ended June 30, 2023.

Chairman's Statement

- Net revenue from the sales of made-to-measure yachts increased by approximately 3.3% from approximately €201 million for the six months ended June 30, 2022 to approximately €208 million for the six months ended June 30, 2023.
- Net revenue from the sales of super yachts increased by approximately 32.5% from approximately €49 million for the six months ended June 30, 2022 to approximately €65 million for the six months ended June 30, 2023.

1.2 Ancillary Businesses

Our ancillary businesses provide synergies with our yacht manufacturing business with a comprehensive portfolio, including: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities (including exclusive lounges all-over-the-world); (iv) manufacturing and installation of wooden furnishings and kinetics for nautical interiors; (v) manufacturing and sale of coastal patrol vessel by the FSD; and (vi) trading of pre-owned yachts, offering trade-in opportunities to our customers as a lever to facilitate the sales of new yachts. With such businesses, we are able to cover all customer's needs throughout the whole yachting "customer journey", from the purchase of luxury yachts to a complete offer of ancillary services to enhance customer satisfaction and loyalty, while providing us with real-time information about market trends and customer preferences.

For the first half of 2023, net revenue from ancillary businesses reached approximately €48 million, representing a year-on-year decline of 5.5% due to a decrease in revenue of pre-owned business.

1.3 Ferretti Group ESG Commitment

By leveraging considerable investments in research and development, the Group has continuously upgraded and expanded its product portfolio with environmentally friendly, technological, and designer innovations since 2014 to keep pace with the rapidly evolving expectations of its customers.

Thanks to its innovative drive, the Group was the very first to introduce a pioneering hybrid propulsion solution to the market in 2008, and it continues to innovate in this field. In 2021, the Group launched a collaboration with Rolls-Royce Power Systems to jointly develop hybrid solutions to be installed on future yachts and in 2022, the Group extended the agreement until the end of 2027, which guarantees the supply chain's efficiency, with clear benefits for its customers. In 2022, the Group also entered the E-luxury segment with the first Riva full-electric runabout, named El-Iseo. Furthermore, the Group is committed to expanding its other "green" product offering across all key brands, launching and marketing more eco-friendly solutions, building on the proposition of the newly launched models (besides FSD N800, Riva El-Iseo, also wallytender43x, wallytender48x, In FYnito 90 and Navetta 50), and increasing its presence in the sailing yacht market through Wally.

With respect to sustainable development, hydrogen is attracting increasing attention as an energy source and has the potential to become a game-changer in the maritime sector as well. Building on Weichai Group's significant achievements on this front and having already installed hydrogen engines on land vehicles, it will be a crucial partner of the Group to provide the necessary know-how and experience to make hydrogen engines on yachts a reality.

In addition, with a view to reducing the environmental impact of its products, the Group is constantly seeking innovative solutions, which involve the use of eco-friendly and lighter materials. Moreover, the Group's ESG commitment is not limited to its outstanding product offering, but also targets its shipyards, all gradually adjusting to the ISO 14001:2015 environmental certification, introducing innovative solutions (such as trigeneration systems) and solar panels to reduce both energy consumption and emissions.

The Group firmly believes in the importance of ESG moving forward and aims to become an ESG leader in the global yacht market. As a remark, the Group has been the first in the yacht industry to publish a sustainability report in 2019 and, in 2021, also established the ESG Committee, which is responsible for helping the Board to devise ESG policies and strategies and reviewing and assessing its sustainability performance.

2 OUTLOOK AND PROSPECTS

Looking back at the recent past, despite the short-term adverse impact of the COVID-19 lockdown restrictions in 2020 and the conflict between Russia and Ukraine that started in early 2022, the Group has delivered outstanding financial performance proving its resilience, and we expect this tailwind to keep on positively affecting our business.

Indeed, looking forward, the Group, being a leading player in the global yacht industry and undisputed leader in the inboard composite and made-to-measure yachts, is ideally positioned to benefit from a growing market with a size of approximately €24 billion in 2022 and forecasted to reach approximately €29.3 billion by 2025 (growing with a compound annual growth rate at 6.8% from 2022 to 2025). In particular, the number of potential end customers, i.e. Very-High and Ultra-High Net Worth Individuals, is expected to witness a strong growth momentum between 2022 and 2025, with a compound annual growth rate of 7.7% and 7.8%, respectively; and the penetration of luxury yachting among the growing potential end customers is still below 1%, unveiling an enormous growth potential.

Chairman's Statement

Going forward, leveraging our unique and effective business model, strong heritage of iconic brands, unparalleled focus on product excellence and innovation, tailored approach for cultivating an exclusive community of luxury customers and its distinctive sales model, we will focus on:

- adjusting and enhancing our product offering and product mix ahead of evolving market trends and customer expectations, with the aim to consolidate our market leadership position in both composite and made-to-measure segments, focusing on the segments with the highest growth potential and marginality.
- expanding our made-to-measure portfolio into larger alloy yachts building on our iconic brands such as Riva, Wally, Pershing, and Custom Line, with the aim of catering the largest number of potential customers across their entire luxury yacht "customer journey", while maintaining the distinctive exclusivity and fulfilling the requirements for greater customization. In so doing, we would also be able to cover the market demand for higher-footage branded yachts, leveraging the know-how and experience gained with CRN and the recent successes of Pershing 140 and Riva 50 Metri.
- vertically integrating strategic and high value-adding activities to ensure the uncompromised excellence in the luxurious design, performance, quality, and reliability of our yachts and to support our future growth and product portfolio expansion.
- enhancing the comprehensiveness of our value proposition and overall business profitability and resilience, expanding and strengthening our presence in the most promising ancillary service verticals such as yacht brokerage services, refitting services, brand extension activities and FSD.

Building on these 4 pillars, the Group believes it can grow according to the guidance for the future long term presented during its first Capital Markets Day in March 2023. In more details the Group expects to grow by 10% compound annual growth rate in terms of net revenue and reach greater than 18.5% in EBITDA margin, excluding mergers and acquisitions. Moreover, the cash conversion is estimated to be greater than 85%.

3 APPRECIATION

Last but not least, I would like to express my sincere appreciation to all of our proven and new Shareholders, our potential investors and our customers for their care and support, as well as to all of our staff for their hard work and dedication!

Mr. Tan Xuguang

Chairman and non-executive Director

Hong Kong, August 2, 2023

Management Discussion and Analysis

BUSINESS REVIEW

The Group is an established player in the global luxury yacht market, leader in the global luxury inboard yacht market above 9 meters (approximately 30 feet) with a market share of 15% as of June 30, 2022 (source: Group calculation based on data from PD&A) and among the top players in the super yachts segment (source: Group calculation based on data from SYT iQ, issued in December 2022 by SuperYacht Times).

Since its founding, the Group has played an important role in steering the development of the global luxury yacht industry by acquiring and integrating other leading yacht brands and production facilities, and now owns a portfolio with seven brands, including some of the oldest in the industry: Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line, each with distinctive features and identity, recognized as symbols of luxury, exclusivity, Italian design, craftsmanship, innovation and performance. The Group designs, produces and sells luxury composite, made-to-measure, and super yachts from 8 to 95 meters (approximately 27 and 312 feet) covering a broad and diversified range of types, catering for the personal tastes and specific requirements of its clientele. With its market leadership, history and iconic brand portfolio, the Group is positioned as a trend-setter of the global luxury yacht industry and an ambassador of Italian nautical craftsmanship to the world.

In addition to the sale of new luxury yachts, the Group has a comprehensive offering to satisfy the needs of its customers beyond yacht purchase, including: (a) yacht brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities, such as branded lounges, lifestyle merchandise, and boat restoration services; (d) manufacturing and installation of nautical components such as wooden furnishings and kinetic systems and components; (e) trading of pre-owned yachts, offering trade-in opportunities to its customers as a lever to facilitate the sales of new yachts; and (f) the sale of coastal patrol vessels by the FSD. With these ancillary services, the Group is present along all of the phases of the yachting “customer journey”, thus positioning itself as a one-stop-shop luxury yacht player.

The Group’s multi-brand business model relies on separate, brand-dedicated teams that manage new model development and concept design to nurture and preserve each brand’s individual identity and unlock its full potential. At the same time, the Group is able to capture synergies by centralizing high-value-added activities that support all brands (R&D, procurement and manufacturing) and corporate functions (human resources, investor relations, finance, legal and IT).

Over the years, the Group has cultivated a premium and loyal clientele of highly sophisticated very-high net worth individuals (“**VHNWIs**”) and ultra-high net worth individuals (“**UHNWIs**”), thanks to its effective sales model. The Group has an established sales presence in more than 70 countries in EMEA, AMAS and APAC, with an in-house sales team in each region, enabling the Group to reach its customers globally. Moreover, the Group believes that its dedicated brand promotion activities, branded lounges in exclusive locations and sponsorship arrangements, have enhanced the high-end positioning of its brands, which, in turn, has enabled the Group to grow its high-end clientele, cultivate an exclusive community of luxury yacht owners, and nurture a strong sense of belonging.

Management Discussion and Analysis

The Group owns and operates seven shipyards, as well as two production plants for interior fittings and customized furnishings and one production plant for kinetic equipment, all located at the heart of the world-famous Italian nautical district. This strategic choice allows the Group to continuously enhance its production process, while ensuring an uncompromised focus on product quality and technical performance, by leveraging on the proximity of its network of suppliers and contractors. The Group also owns a refitting facility in Fort Lauderdale (Florida, USA) to cover the AMAS market. As part of its ongoing efforts to meet the demand for high-end customization and further increase its competitiveness, each interior design element of the Group's luxury yachts is carefully selected, leveraging upon the Group's strategic partnerships with prestigious international designers, and is tailor-made by nautical craftsmen with techniques handed down over generations, blending tradition, modernity, and relentless dedication to customization. In addition, in order to strengthen its control over the supply chain and ensure supply of key inputs, the Group has begun work on a project to internalize a portion of its fiberglass and carbon-fiber hulls production.

SIGNIFICANT EVENTS IN THE FIRST HALF YEAR OF 2023

The Group held its first Capital Markets Day in Milan on March 21, 2023 providing the mid-long term outlook.

The Group reached an agreement with Rosetti Marino S.p.A. for the acquisition of Cantiere San Vitale, in Ravenna of over 70,000 square meters.

In April 2023, the Group made a big step forward in respect of the project in the former Belleli Yard port area in Taranto of over 220,000 square meters, where an industrial facility will be developed for the construction of models and molds, as well as research center for advanced materials. All the public administrations involved approved the remediation and industrial development project.

On June 27, 2023, the Company successfully completed the first ever Dual Listing of the Company between the Euronext Milan and the Hong Kong Stock Exchange.

OUTLOOK AND FUTURE PLAN

The Group's order backlog increased by 15.8% in the Relevant Period compared to the six months ended June 30, 2022. This growth was supported by investments to expand the product portfolio and in model re-stylings, with new and re-styled models launched. Furthermore, the Group's financial performance was underpinned by substantial industrial and research and development investments. The former provided the production capacity needed to sustain volumes expansion, while the latter was key to aligning the Group's product offering to emerging customer needs and market trends, representing a solid pillar upon which to build future growth. These investments, paired with favorable market momentum, contributed to an increase in revenue by 8.6% in the Relevant Period compared to the six months ended June 30, 2022.

Management Discussion and Analysis

The global luxury yacht industry has continued to grow solidly throughout 2021 and 2022, fostered by the growth of the VHNWI and UHNWI clientele in terms of both number and wealth. In this context, and as proved by its ability to outperform the underlying luxury yacht market in the past, the Group believes it is ideally positioned to continue to capture market growth, capitalizing on its unique and effective business model, strong heritage of iconic brands, unparalleled focus on product excellence and innovation, tailored approach for cultivating an exclusive community of luxury customers and its distinctive sales model. To continue building on the expected trends of the global luxury yacht industry, enhancing its value proposition and strengthening its overall resilience, the Group's future plans are based on the following strategic pillars:

- The Group will enhance and expand its product offering and product mix ahead of evolving market trends and customer expectations, with the aim to consolidate its market leadership position in both composite and made-to-measure segments, focusing on the segments with the highest growth potential and marginality.
- The Group will expand its made-to-measure offering into larger alloy yachts, developing new alloy-hulled super yacht models under its iconic Riva, Wally, Pershing, and Custom Line brands.
- The Group will also broaden both its yacht brokerage, chartering and management services and its after-sales and refitting services, extend its brand extension and licensing activities and further expand into the security and patrolling market.
- Finally, the Group will keep investing in the internalization of high value-added activities to support its future growth and product portfolio expansion.

The Group's results are not subject to seasonality, except for the concentration of deliveries in the northern summer season (May-August) and, to a lesser extent, in the southern summer season (November-January), especially for composite yachts.

FINANCIAL REVIEW

Net Revenue

The Group's overall net revenue increased by approximately 8.6% from approximately €534.9 million for the six months ended June 30, 2022 to approximately €580.8 million for the Relevant Period. The following table summarizes the net revenue for each of the business lines by application during the periods indicated:

<i>(In thousands Euro, except percentages)</i>	Six months ended June 30,			
	2023 (Unaudited)		2022 (Unaudited)	
	Net Revenue	% of Total Net Revenue	Net Revenue	% of Total Net Revenue
Composite yachts	259,790	44.7%	233,710	43.7%
Made-to-measure yachts	207,983	35.8%	201,286	37.6%
Super yachts	64,847	11.2%	48,928	9.1%
Other businesses ⁽¹⁾	48,221	8.3%	51,024	9.5%
Total	580,841	100%	534,948	100%

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 increased by approximately 11.2% from approximately €234 million for the six months ended June 30, 2022 to approximately €260 million for the Relevant Period. The increase in revenue was mainly due to the increase in the backlog.

(ii) Sales of Made-to-Measure Yachts

The Group's revenue from the sales of made-to-measure yachts increased by approximately 3.3% from approximately €201 million for the six months ended June 30, 2022 to approximately €208 million for the Relevant Period. The increase in revenue was mainly due to the increase the backlog.

(iii) Sales of Super Yachts

The Group's revenue from the sales of super yachts increased by approximately 32.5% from approximately €49 million for the six months ended June 30, 2022 to approximately €65 million for the Relevant Period. The increase in revenue was mainly due to the launch of alloy-hulled super yacht models.

Management Discussion and Analysis

(iv) Other Businesses

The Group's revenue generated from other businesses are substantially in line and approximately €51 million for the six months ended June 30, 2022 and approximately €48 million for the Relevant Period.

The Group's standard sales contracts generally do not provide any specific price adjustment clause. In some instances however, the Group may agree with the customer to include a specific clause typically tied to inflation. In this case, the contract price will be increased.

Order backlog by segment

(i) Composite Yachts

The Group's order backlog from composite yachts reached €408.1 million for the Relevant Period representing approximately 28.9% of the total backlog (as at December 31, 2022: €386.7 million representing approximately 29.8% of the total backlog).

(ii) Made-to-Measure Yachts

The Group's order backlog from made-to-measure yachts reached €503.2 million for the Relevant Period representing approximately 35.7% of the total backlog (as at December 31, 2022: €469.6 million representing approximately 36.2% of the total backlog).

(iii) Super Yachts

The Group's order backlog from super yachts reached €442.3 million for the Relevant Period representing approximately 31.4% of the total backlog (as at December 31, 2022: €384.6 million representing approximately 29.7% of the total backlog).

(iv) Other Businesses (Including FSD and Wally sail)

The Group's order backlog from other business (including FSD and Wally sail) reached €56.9 million for the Relevant Period representing approximately 4.0% of the total backlog (as at December 31, 2022: €54.8 million representing approximately 4.2% of the total backlog).

Raw Materials and Consumables Used

The Group's raw materials and consumables used increased by approximately 21.2% from approximately €260.8 million for the six months ended June 30, 2022 to approximately €316.1 million for the Relevant Period. Such increase was mainly due to the increase in production activities following the growth in order intake.

Contractors Costs

The Group's contractors costs increased by approximately 33.0% from approximately €77.3 million for the six months ended June 30, 2022 to approximately €102.8 million for the Relevant Period. Such increase was mainly attributable to the increase in production activities to properly answer to the acceleration of the order intake.

Cost for Trade Shows, Events and Advertising

The Group's costs for trade shows, events and advertising increased by approximately 27.7% from approximately €9.5 million for the six months ended June 30, 2022 to approximately €12.1 million for the Relevant Period mainly due to the renormalization process after the COVID-19 pandemic when many of these activities were canceled.

Other Service Costs

The Group's other service costs decreased by approximately 3.6% from approximately €61.1 million for the six months ended June 30, 2022 to approximately €58.9 million for the Relevant Period due to the combined effect of an increase in service costs for production volumes, in particular transportation, and a decrease in fees paid to members of corporate governance bodies, due to the presence as at June 30, 2022 of €3.2 million for a portion of the Management Incentive Plan.

Rentals and Leases

The Group's rentals and leases increased by €0.8 million, or 20.1%, from €3.7 million for the six months ended June 30, 2022 to €4.5 million for the Reporting Period, primarily due to (i) an increase in royalties mainly attributable to the increase in new yachts delivered; and (ii) an increase in expenses relating to short-term leases, which was generally in line with the growth of the Group's business.

Personnel Costs

The Group's personnel costs decreased by €4.2 million, or 6.1%, from €69.3 million for the six months ended June 30, 2022 to €65.1 million for the Reporting Period, primarily due to the combined effect of the absence of the Management Incentive Plan cash bonus for €12.3 million as at June 30, 2022, and an increase in the average headcount to support the growth of the Group's business.

Other Operating Expenses

The Group's other operating expenses decreased from approximately €5.6 million for the six months ended June 30, 2022 to approximately €3.0 million for the Relevant Period mainly due to the reduction of cost under-accruals and re-billable costs.

Income Tax Expenses

The Group recorded income tax expenses of €14.7 million for the Relevant Period and the tax benefit of €724 thousand for the six months period ended June 30, 2022. The tax expenses increased mainly due to (i) an increase in current tax as attributable to the significant increase in the Group's profit before tax; and (ii) a decrease in deferred tax assets recognized in respect of prior tax losses.

Net Profit

The Group's profit for the period increased by approximately 36.8% from approximately €29.9 million for the six months ended June 30, 2022 to approximately €40.9 million for the Relevant Period mainly due to the increase in volumes and the increase in margin.

Management Discussion and Analysis

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 in this report. 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 but excluding exchange rate gains/(losses) related to financial transactions), 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 listing expenses and related costs, Management Incentive Plan, 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)</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Net revenue	580,841	534,948
Revenue pre-owned	(13,419)	(24,328)
Net revenue without pre-owned	567,422	510,619
Operating costs	(484,005)	(441,582)
Adjusted EBITDA	83,418	69,037
Special items	(802)	(23,099)
Operating exchange gains/(losses) and share of loss of a joint venture	836	(1,176)
EBITDA	83,451	44,762
Depreciations and amortization	(30,128)	(25,518)
Financial income, financial expenses, financial exchange gains/(losses)	2,189	9,906
Profit before tax (PBT)	55,512	29,151
Income tax	(14,658)	724
Profit after tax (PAT)	40,855	29,875
Adjusted EBITDA/Net revenue without pre-owned	14.7%	13.5%

Management Discussion and Analysis

<i>(in thousands Euro)</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
The table below sets forth a reconciliation of the non-IFRS measures to the nearest measures prepared in accordance with IFRS for the years indicated:		
Profit for the period	40,855	29,875
Income tax expense	(14,658)	724
Foreign financial exchange gains/(losses)	131	(12,258)
Financial expenses	1,957	2,356
Financial income	(4,277)	(5)
Depreciation and amortization	30,128	25,518
EBITDA	83,451	44,762
Special items related to EBITDA	802	23,099
Foreign operating exchange losses	(836)	1,158
Share of loss of a joint venture	0	18
Adjusted EBITDA	83,418	69,037
Adjusted EBITDA/net revenue without pre-owned	14.7%	13.5%

The Group's adjusted EBITDA (excluding listing expenses and related costs, Management Incentive Plan and other minor non-recurring events) for the Relevant Period amounted to approximately €83.4 million, increased by approximately 20.9% for the six months ended June 30, 2022 which amounted to approximately €69.0 million, demonstrating the increase in profitability of our operating performance.

The adjusted EBITDA/net revenue without pre-owned margin increased from 13.5% for the six months ended June 30, 2022 to 14.7% for the Reporting Period.

The table below sets forth the details of the special items which were deducted from the EBITDA:

<i>(in thousands Euro)</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Listing expenses and related costs	—	4,534
Management Incentive Plan	—	17,178
Other minor non-recurring events	802	1,388
Total	802	23,099

Management Discussion and Analysis

Certain Balance Sheet Items

Inventories

The Group's inventories increased by €64.6 million, or 32.6%, from €198.1 million as of December 31, 2022 to €262.8 million as of June 30, 2023, primarily due to an increase in production volumes of yachts to answer to the growing demand.

Trade and other receivables

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Accounts receivable from customers	24,256	20,227
(Less) Provision for doubtful accounts	(3,215)	(3,216)
Trade receivables	21,041	17,011
Other receivables	28,830	42,421
Total trade and other receivables	49,872	59,432

The Group's trade and other receivables decreased by €9.6 million, or 16.1%, from €59.4 million as of December 31, 2022 to €49.9 million as of June 30, 2023, primarily due to (i) an increase in trade receivables related to other businesses; and (ii) a decrease in other receivables of €13.6 million mainly attributable to value added tax receivables.

Contract Assets

The Group's contract assets represent amounts of the contract works completed in excess of payment by customers under sales contracts for new yachts as of the end of each of the relevant period.

The Group's contract assets increased by €19.7 million, or 17.1%, from €115.4 million as of December 31, 2022 to €135.1 million as of June 30, 2023, primarily due to an increase in production volumes.

Management Discussion and Analysis

Trade and other payables

The table below sets forth a breakdown of the Group's trade and other payables as of the dates indicated:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Trade payables	336,575	289,653
Other payables	47,676	48,717
Total trade and other payables	<u>384,251</u>	<u>338,370</u>

The Group's trade and other payables increased by €45.9 million, or 13.6%, from €338.4 million as of December 31, 2022 to €384.3 million as of June 30, 2023, primarily due to an increase in trade payables of €46.9 million, which was mainly attributable to an increase in the Group's procurement in line with the growth of the Group business.

Contract liabilities

The Group's contract liabilities represent amounts paid by its customers under sales contracts for new yachts that have not been fully executed. Such liabilities comprise advances received in excess of the contract works completed or in respect of works not yet commenced, as of the end of each of the relevant period.

The Group's contract liabilities decreased from €185.9 as of December 31, 2022 to €175.6 million as of June 30, 2023 primarily due to an increase in contract works.

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, 2023, the Group had cash and cash equivalents and other current assets of approximately €355 million (as at December 31, 2022: approximately €404 million).

Taking into account the cash flow generated from operations and the net proceeds from the Hong Kong 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 report.

Capital Expenditure

The Group's capital expenditure as at June 30, 2023 is €84.5 million.

Net Financial Position

The net cash of the Group as at June 30, 2023 was €320 million (as at December 31, 2022: €365 million).

Management Discussion and Analysis

Capital Structure

A. *Borrowing*

The total bank and other borrowings of the Group as at June 30, 2023 was approximately €35.7 million (as at December 31, 2022: €38.6 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 utilizing its banking facilities with its lenders.

B. *Gearing Ratio*

As at June 30, 2023, the Group's gearing ratio was approximately 4.5% (as at December 31, 2022: 5.1%), 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 Hong Kong Listing and the decrease in total indebtedness. 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, 2022, the Group's bank borrowings were secured by certain of the Group's buildings, which amounted to €98.1 million. As at June 30, 2023, the Group did not pledge any further assets in comparison with December 31, 2022.

Contingent Liabilities

As at June 30, 2023 and 2022, 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 disposal of subsidiaries and associates. Save for the expansion plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Hong Kong Prospectus, the Company has no specific plans for significant investments or acquisitions of material capital assets.

Risk factors

The Company identifies risk at the activity level which can help to focus risk assessment on major business units or functions and also contribute to maintaining an acceptable level of risk across the Group. We also review periodically economic and industrial factors affecting our business and meet industry analysts and players to keep abreast of the latest development of the industry.

Factors such as increased competition, regulatory changes, personnel changes, and developments in the markets which contribute to and increase risks are always on the watch list.

For further details, please refer to the annual report of the Company for the year ended December 31, 2022.

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, 2022 and June 30, 2023, there were no currency forwards in place.

Human Resources

As at June 30, 2023, the Group had approximately 1,921 full-time employees, of which 1,851 were based in the EMEA and 70 were based in AMAS and APAC. The total cost of staff for the six months ended June 30, 2023 was €65.1 million as compared to €69.3 million as at June 30, 2022. The decrease was mainly attributable to the combined effect of the settlement of the Management Incentive Plan cash bonus for €12.3 million as at June 30, 2022, and an increase in the average headcount to support the growth of the Group's business.

INTERIM DIVIDEND

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

EVENTS AFTER THE RELEVANT PERIOD

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

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 report were prepared on a "going concern" basis.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Board strives to uphold the principles of corporate governance set out in the Hong Kong Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules, the Italian Consolidated Financial Act and the Italian Corporate Governance Code to which the Company has adhered after the Dual Listing, 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 reviews and improve the quality of corporate governance practices with reference to local and international standards.

The Company has complied with the code provisions as set out in Appendix 14 to the Hong Kong Listing Rules during the Relevant Period. The Company has adhered and is compliant with Italian Corporate Governance Code starting from the EXM Listing.

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 Hong Kong Listing Rules (the "**Model Code**") and relevant Italian provisions 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 during the Relevant Period.

REVIEW BY AUDIT COMMITTEE

The Company has established the Audit Committee on December 21, 2021 with written terms of reference in compliance with Rule 3.21 of the Hong Kong Listing Rules and the Hong Kong Corporate Governance Code and in compliance with the Italian Corporate Governance Code.

Pursuant to Hong Kong Listing Rules and Article 6 of the Italian Corporate Governance Code, the Audit Committee, is in charge of, and assists the Board of Directors in, inter alia: (i) defining the guidelines of the internal control and risk management system so that the main risks to the Company and its subsidiaries are properly identified, adequately managed and monitored, and establishing criteria for the compatibility of such risks with the proper Company management; (ii) assessing the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved by coordinating for the part of competence with the ESG Committee; (iii) expressing opinions on specific aspects inherent to the identification of the main corporate risks and supporting the decisions of the Board of Directors related to management of risks; (iv) reviewing periodic and particularly significant reports prepared by the internal audit function; and (v) reporting, at least at the time of the approval of the annual and half-yearly financial report, on the activities carried out as well as on the adequacy of the internal control and risk management system.

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 Hong Kong Listing Rules.

Corporate Governance and Other Information

The Audit Committee has reviewed with the management of the Company the unaudited interim condensed consolidated financial statements 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 Hong Kong Listing Rules and also with the Italian regulatory applicable provisions and adequate disclosures have been made.

The unaudited interim condensed consolidated financial statement, which was prepared in Italian and translated into English herein for the convenience of international readers, was also reviewed by EY S.p.A., the Company's independent auditor, in accordance with the criteria for a review recommended by applicable laws.

ADOPTION OF THE NEW BY-LAWS

The Company has adopted certain corporate governance policies that are required for Italian listed companies and made certain changes to its by-laws in order to comply mainly with the Italian Consolidated Financial Act and other applicable Italian laws and regulations for listed companies.

The resolution in relation to the adoption of the new By-laws was considered and approved by the Shareholders at the extraordinary general meeting held on May 18, 2023 and the amended By-laws were effective from June 27, 2023 upon the first trading date on Euronext Milan.

The new By-laws are available on the websites of the Hong Kong Stock Exchange and the Company.

APPOINTMENT OF EY S.P.A. AS INDEPENDENT AUDITOR

At the Shareholders' Meeting, it was resolved that EY S.p.A. be appointed as an independent auditor of the Company upon the expiration of its current term of office at the Shareholders' Meeting.

Upon completion and in connection with the EXM Listing, as the Company will be qualified as a "Public Interest Entity" pursuant to Article 16 of Legislative Decree No. 39/2010 as amended and as supplemented, the Company is required to appoint its independent auditor for a term of nine financial years.

The Board acknowledged the reasoned proposal of the Board of Statutory Auditors and the re-appointment of the Company's existing independent auditor, EY S.p.A., for a term of nine financial years was considered and approved by the Shareholders at the Shareholders' Meeting. The term of such appointment shall commence from the financial year ending December 31, 2023 and expire on the date of the Shareholders' general meeting to approve the financial statements for the year ending December 31, 2031.

CHANGES IN DIRECTORS' INFORMATION

The term of the previous Board expired at the Shareholders' Meeting and the new Board was appointed on the same day. The new Board will remain in office until the shareholders' meeting approving the annual financial statements of the Company for the financial year ending December 31, 2025.

Corporate Governance and Other Information

Changes in directors' information which is required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules are set out below:

- Mr. Piero Ferrari was appointed as Honorary Chairman of the Board with effect from May 18, 2023. For the avoidance of doubt, it is an honorary title with no delegated powers and no specific functions other than those associated with his role as a non-executive Director;
- Mr. Xu Xinyu was redesignated as an executive Director with effect from May 18, 2023; and
- Mr. Li Xinghao was appointed as secretary of the Board with effect from May 18, 2023.

Save as disclosed above, no other information is required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules.

TERMINATION OF SHARE OPTION SCHEME

The Company adopted a generic Share Option Scheme on May 25, 2022 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, to provide additional incentives to the scheme participants and to promote the long-term financial success of the Group by aligning the interests of holders of the share options to Shareholders.

On May 18, 2023, the Company's Shareholders' Meeting approved a resolution to revoke the Share Option Scheme, effective as of the first trading date on Euronext Milan. As a result, the Share Option Scheme has been terminated on June 27, 2023, first trading date on Euronext Milan.

ELECTION OF THE BOARD OF STATUTORY AUDITORS

The terms of the Board of Statutory Auditors expired at the adjourned meeting of the Shareholders' meeting held on June 13, 2023. The resolutions in relation to the election of candidates as effective statutory auditors and alternate statutory auditors were considered and approved at the adjourned meeting of the Shareholders' meeting. Mr. Luigi Capitani, Mr. Luca Nicodemi and Ms. Giuseppina Manzo were elected as the effective statutory auditors. Mr. Luigi Capitani has been appointed as Chairman of the Board of Statutory Auditors. Ms. Tiziana Vallone and Ms. Federica Marone were elected as the alternate statutory auditors and will remain in office until the approval of the annual financial statements as of December 31, 2025.

Please refer to the circular, supplemental circular and announcement of the Company dated April 26, 2023, May 29, 2023 and June 13, 2023, respectively, for further details.

EXM LISTING AND ADMISSION TO TRADING OF THE SHARES ON THE EURONEXT MILAN

On June 21, 2023, CONSOB has issued the notice for the approval of the Italian Prospectus of Ferretti S.p.A. and Borsa Italiana has admitted all of the shares of Ferretti S.p.A. to trading on Euronext Milan on June 23, 2023. The first trading date has been on June 27, 2023.

Corporate Governance and Other Information

Please refer to the circular of the Company dated April 26, 2023, the announcements of the Company dated May 28, 2023, June 20, 2023, June 21, 2023 and June 23, 2023 for further details.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As far as the Company is aware, as at June 30, 2023, the interests and/or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) required to be notified (i) to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange; and (ii) pursuant to Italian laws, to the Company and to CONSOB in accordance with article 120 of the Italian Consolidated Financial Act are as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares⁽²⁾	Approximate Percentage of Shareholding
Mr. Piero Ferrari	Interest in a controlled corporation ⁽¹⁾	15,441,768 (L)	4.56% (L)

Notes:

(1) KHEOPE SA directly holds 15,441,768 Shares. KHEOPE SA is wholly-owned by Mr. Piero Ferrari. Mr. Piero Ferrari is deemed to be interested in the Shares held by KHEOPE SA for the purpose of Part XV of the SFO.

(2) The letter "L" denotes a long position or voting rights connected to the Shares.

Save as disclosed above, as at June 30, 2023, none of the Directors and the chief executives of the Company nor their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (as defined in Part XV of SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register stated herein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

(B) Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares

So far as the Directors are aware, as at June 30, 2023, the following persons have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 5% or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at meetings of the Company or which were required to be entered in the register kept by the Company under section 336 of the SFO:

Name of Shareholders	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding
SHIG	Interest in a controlled corporation ⁽²⁾	127,314,411 (L)	37.61% (L)
		8,845,482 (S)	2.61% (S)
Weichai Group	Interest in a controlled corporation ⁽²⁾	127,314,411 (L)	37.61% (L)
		8,845,482 (S)	2.61% (S)
Weichai Holding (HK)	Interest in a controlled corporation ⁽²⁾	127,314,411 (L)	37.61% (L)
		8,845,482 (S)	2.61% (S)
FIH	Beneficial owner	127,314,411 (L)	37.61% (L)
		8,845,482 (S)	2.61% (S)
Valea Foundation	Interest in a controlled corporation ⁽³⁾	33,872,900 (L)	10.01% (L)
Komarek Karel	Beneficial owner ⁽³⁾	33,872,900 (L)	10.01% (L)
Danilo Lervolino	Beneficial owner	17,862,066 (L)	5.27% (L)

Notes:

(1) (L) — Long Position, (S) — Short Position.

(2) FIH directly holds 127,314,411 Shares, and is taken to have a short position of 8,845,482 Shares arising from the over-allotment option granted to the stabilization manager of the EXM Listing. FIH is wholly owned by Weichai Holding (HK). Weichai Holding (HK) is wholly owned by Weichai Group, which is a wholly-owned subsidiary of SHIG. SHIG is owned by Shandong SASAC, Shandong Guohui Investment Co., Ltd. (a company wholly owned by Shandong SASAC) and the Shandong Provincial Council for Social Security Fund as to 70%, 20% and 10%, respectively. Each of Weichai Holding (HK), Weichai Group and SHIG is deemed to be interested in the Shares directly held by FIH for the purpose of Part XV of the SFO. From its incorporation in June 2009 to July 2016, SHIG was wholly owned by Shandong SASAC. In July 2016, Shandong SASAC transferred 30% share capital of SHIG to the Shandong Provincial Council for Social Security Fund at nil consideration. In May 2018, the Shandong Provincial Council for Social Security Fund transferred 20% share capital of SHIG to Shandong Guohui Investment Co., Ltd. at nil consideration.

(3) Flipnation Limited holds 33,872,900 Shares. Flipnation Limited is wholly owned by Valea Group AG, which is in turn wholly owned by Valea Foundation. Komarek Karel is the founder/sole beneficiary of the Valea Foundation, which is a foundation under Liechtenstein law and no individual owns shares.

Save as disclosed herein, the Directors are not aware of any person who, as at June 30, 2023, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company, CONSOB and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 5% or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at general meetings of the Company or which were required to be entered in the register kept by the Company under section 336 of the SFO.

Corporate Governance and Other Information

With reference to disclosure obligations concerning shareholdings pursuant to Article 120 of the Italian Consolidated Financial Act, please find below a list of persons who hold shares with voting rights at the Ordinary Shareholders' Meeting exceeding 3% of the Company share capital, according to the information disclosed pursuant to Article 120 of the Italian Consolidated Financial Act as of June 30, 2023, and/or according to additional information available to the Company as at that date.

Name of Declarant	Direct Shareholder	% of Share Capital	% of voting Share Capital
Shandong SASAC ⁽¹⁾	FIH	37.61% ⁽²⁾	37.61% ⁽²⁾
Piero Ferrari	Kheope S.A.	4.562%	4.562%
Valea Foundation	Flipnation Limited	10.007%	10.007%
Danilo Lervolino	Danilo Lervolino	5.277% ⁽³⁾	5.277% ⁽³⁾

Notes:

- (1) FIH made the statement to CONSOB pursuant to Article 119-bis, paragraph 2 of the CONSOB Regulation adopted by resolution No. 11971 of May 14, 1999 ("**Issuers' Regulation**"), as holder as of date of the statement of a 37.61% interest in the Issuer's share capital, also on behalf of the additional companies that directly or indirectly control FIH itself. In particular, the chain of shareholdings is composed as follows: (i) Ferretti International Holding S.p.A. is wholly owned by Weichai Holding Group Hongkong Investment Co., Limited; (ii) Weichai Holding Group Hongkong Investment Co, Limited is wholly owned by Weichai Holding Group Co., Ltd; (iii) Weichai Holding Group Co., Ltd is wholly owned by Shandong Heavy Industry Group co., Ltd; (iv) Shandong Heavy Industry Group co., Ltd is controlled with 70% equity interest by State-owned Assets Supervision & Administration Commission of Shandong Province.
- (2) 35% of the share capital is related to holding of voting shares, while 2.61% concerns the shares served to a securities lending agreement granted by FIH to the joint global coordinators of the offer for the purpose of the possible exercise of the greenshoe option within a period of 30 days from the first trading date in the context of the EXM Listing.
- (3) A percentage equal to 0.058% is held indirectly through Hong Kong Securities Clearing Company Limited.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, upon the Hong Kong Listing and up to June 30, 2023, the Company maintained the amount of public float as required under the Hong Kong 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 Hong Kong Global Offering in the context of the Hong Kong Listing, since the Hong Kong Listing Date up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance and Other Information

USE OF NET PROCEEDS FROM THE HONG KONG LISTING

The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Hong Kong Global Offering and the exercise of over-allotment option of approximately HKD1,862.94 million in the context of the Hong Kong Listing. There has been no change in the intended use of net proceeds as previously disclosed in the Hong Kong Prospectus. As at June 30, 2023, the Group has been gradually utilizing the net proceeds from the Hong Kong Global Offering according to the manner and proportions disclosed in the Hong Kong Prospectus. For details, please refer to the table below:

	Net amount available upon Hong Kong Listing (HKD million)	Net amount utilized as of June 30, 2023 (HKD million)*	Unutilized net amount as of June 30, 2023 (HKD million)	Expected timeline of the utilization of the unutilized net amounts
Expansion of the Group's product portfolio and further boosting our end-to-end operational excellence	1,266.7	778.9	488.0	March 31, 2025
– Consolidating the Group's leadership positioning in the luxury yacht industry and increasing the Group's market share and coverage	428.5	398.2	30.3	—
– Development of new flagship models of super yachts under Riva, Wally, Pershing, and Custom Line brands	465.8	92.4	373.4	—
– Vertical integration of strategic and high value-adding production activities to ensure the uncompromised excellence in the luxurious design, performance, quality and reliability of the Group's yachts	372.6	288.2	84.4	—
Enhancing the Group's unique portfolio of ancillary services and expanding the Group's offering in the most promising verticals such as yacht brokerage, chartering and management services and aftersales and refitting services	447.1	—	447.1	March 31, 2024
– Growing the Group's yacht brokerage, chartering and management services	130.4	—	130.4	—
– Expanding the Group's after-sales and refitting service offering and market presence	316.7	—	130.4	—
Further development of the Group's brand extension activities and other general corporate matters	149.0	4.7	144.3	N/A
Total	1,862.9	783.6	1,079.4	—

* using EUR/HKD exchange rate as at June 30, 2023

The unutilized net proceeds of the Hong Kong Global Offering have been deposited into interest-bearing accounts with licensed banks and financial institutions shall be utilized according to the plans described in the Hong Kong Prospectus.



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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

To the Shareholders of
Ferretti S.p.A.

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Ferretti S.p.A. and its subsidiaries (the “**Ferretti Group**”) at June 30, 2023. The Directors of Ferretti S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Ferretti Group at June 30, 2023 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

OTHER MATTER

The interim condensed consolidated financial statements for the six-month period ended June 30, 2022 have not been audited or reviewed.

Bologna, August 2, 2023

EY S.p.A.
Signed by: Gianluca Focaccia, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

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A member firm of Ernst & Young Global Limited

Interim Condensed Consolidated Financial Statements

(English translation for the convenience of international readers)

Interim Condensed Consolidated Income Statement

For the six-month period ended June 30, 2023

<i>(in thousands Euro)</i>	<i>Notes</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Revenue		613,346	555,641
Commissions and other costs related to revenue		(32,505)	(20,694)
NET REVENUE	4	580,841	534,948
Change in inventories of work-in-process semi-finished and finished goods	5	65,828	2,826
Cost capitalized	6	14,832	14,625
Other income	7	8,335	7,716
Raw materials and consumables used	8	(316,071)	(260,839)
Contractors costs	9	(102,808)	(77,272)
Costs for trade shows, events and advertising	10	(12,120)	(9,493)
Other service costs	11	(58,856)	(61,053)
Rentals and leases	12	(4,482)	(3,733)
Personnel costs	13	(65,088)	(69,301)
Other operating expenses	14	(2,953)	(5,626)
Provisions and impairment	15	(24,844)	(26,859)
Depreciation and amortization	16	(30,128)	(25,518)
Share of loss of a joint venture		–	(18)
Financial income	17	4,277	5
Financial expenses	18	(1,957)	(2,356)
Foreign exchange gains	19	705	11,100
PROFIT BEFORE TAX		55,512	29,151
Income tax	20	(14,658)	724
PROFIT FOR THE PERIOD		40,855	29,875
Attributable to:			
<i>Shareholders of the Company</i>		40,448	29,608
<i>Non-controlling interests</i>		407	266
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	40	0.12	0.10

Interim Condensed Consolidated Comprehensive Income Statement

For the six-month period ended June 30, 2023

<i>(in thousands Euro)</i>	<i>Notes</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
PROFIT FOR THE PERIOD		40,855	29,875
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Profit on defined benefits plan	38	104	725
Income tax effect	38	(25)	(174)
		79	551
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Gains/(losses) from the translation of foreign operations	38	(2,012)	3,175
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(1,933)	3,726
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		38,922	33,601
Attributable to:			
<i>Shareholders of the Company</i>		38,515	33,334
<i>Non-controlling interests</i>		407	266

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2023

<i>(in thousands Euro)</i>	<i>Notes</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
CURRENT ASSETS			
Cash and cash equivalents	21	309,660	317,759
Trade and other receivables	22	49,872	59,432
Contract assets	23	135,148	115,372
Inventories	24	262,765	198,120
Advances on inventories	24	40,518	39,156
Other current assets	25	45,669	86,732
Income tax recoverable		1,583	2,091
		845,215	818,663
NON-CURRENT ASSETS			
Property, plant and equipment	26	362,209	303,394
Intangible assets	27	263,701	264,070
Other non-current assets	28	4,734	5,031
Deferred tax assets	29	9,021	16,397
		639,665	588,893
TOTAL ASSETS		<u>1,484,881</u>	<u>1,407,556</u>
CURRENT LIABILITIES			
Minority Shareholder's loan	30	1,000	1,000
Bank and other borrowings	30	11,234	14,500
Provisions	35	63,417	42,946
Trade and other payables	31	383,345	337,364
Contract liabilities	32	175,591	185,914
Income tax payable	33	7,045	1,683
		641,632	583,408
NON-CURRENT LIABILITIES			
Bank and other borrowings	34	23,492	24,056
Provisions	35	14,093	13,049
Non-current employee benefits	36	7,348	7,646
Trade and other payables	31	905	1,006
		45,838	45,757

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2023

<i>(in thousands Euro)</i>	<i>Notes</i>	June 30, 2023 (unaudited)	December 31, 2022 (audited)
TOTAL LIABILITIES		687,471	629,165
SHARE CAPITAL AND RESERVES			
Share capital	37	338,483	338,483
Reserves	38	458,136	439,525
Equity attributable to shareholders of the Company		796,619	778,007
Non-controlling interests	39	791	384
TOTAL EQUITY		797,410	778,391
TOTAL LIABILITIES AND EQUITY		1,484,881	1,407,556

Interim Condensed Consolidated Cash Flow Statement

For the six-month period ended June 30, 2023

<i>(in thousands Euro)</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	55,512	29,151
Depreciation and amortization	30,128	25,518
Loss on disposal of property, plant and equipment	(62)	5
Provisions	21,301	16,735
Financial income	(4,277)	(5)
Financial expenses	1,957	2,294
Share of loss of joint venture	0	0
Impairment of trade receivables, net	0	500
Provision against inventories, net	6,244	27
Increase in inventories	(72,252)	(3,837)
Change in contract assets and contract liabilities	(33,184)	52,552
Increase in trade and other receivables	4,133	(11,842)
Increase in trade and other payables	45,036	35,026
Change in other operating liabilities and assets	7,540	(579)
Income tax paid	0	(1,328)
Cash flows from operating activities (A)	62,076	144,215
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	(83,609)	(36,710)
Proceeds from disposal of property, plant and equipment and intangible assets	367	709
Acquisition of subsidiaries	0	0
Other financial investments	42,384	(42,987)
Interest received	4,228	5
Cash flows used in investing activities (B)	(36,629)	(78,983)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	0	223,320
Dividends paid	(19,903)	(6,707)
New bank and other borrowings	200	0
Repayment of bank and other borrowings	(9,874)	(14,364)
Interest paid	(1,957)	(2,232)
Cash flows from/(used in) financing activities (C)	(31,533)	200,017
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	(6,087)	265,248
Cash and cash equivalents at the beginning of year/period (E)	317,759	173,010
Effect of foreign exchange rate changes, net (F)	(2,012)	3,175
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (G=D+E+F)	309,660	441,434
Cash and cash equivalents as stated in the consolidated statement of financial position	309,660	441,434

Interim Condensed Consolidated Statement of Changes in Equity

For the six-month period ended June 30, 2023

<i>(in thousands Euro)</i>	Share capital (Note 37)	Share premium* (Note 38)	Legal reserve* (Note 38)	Translation reserve* (Note 38)	Other reserves* (Note 38)	Equity attributable to the shareholders of the company	Non-controlling interests (Note 39)	Total equity
At January 1, 2022 (audited)	250,735	281,293	7,110	4,329	(45,189)	498,278	(212)	498,066
Profit for the period	—	—	—	—	29,608	29,608	266	29,875
Other comprehensive income for the period:								
Profit on defined benefits plan, net of tax	—	—	—	—	551	551	—	551
Exchange differences on translation of foreign operations	—	—	—	3,175	—	3,175	—	3,175
Total comprehensive income for the period	—	—	—	—	30,160	33,334	266	33,601
Issue of share capital	87,748	143,748	—	—	(8,175)	223,321	—	223,321
Transfer to the legal reserve	—	—	1,177	—	(1,177)	—	—	—
Dividends	—	—	—	—	(6,707)	(6,707)	—	(6,707)
At June 30, 2022 (unaudited)	<u>338,483</u>	<u>425,041</u>	<u>8,287</u>	<u>7,504</u>	<u>(31,089)</u>	<u>748,226</u>	<u>55</u>	<u>748,280</u>

<i>(in thousands Euro)</i>	Share capital (Note 37)	Share premium* (Note 38)	Legal reserve* (Note 38)	Translation reserve* (Note 38)	Other reserves* (Note 38)	Equity attributable to the shareholders of the company	Non-controlling interests (Note 39)	Total equity
At January 1, 2023 (audited)	338,483	425,041	8,287	7,970	(1,775)	778,007	384	778,391
Profit for the period	—	—	—	—	40,448	40,448	407	40,855
Other comprehensive income for the period:								
Profit on defined benefits plan, net of tax	—	—	—	—	79	79	—	79
Exchange differences on translation of foreign operations	—	—	—	(2,012)	—	(2,012)	—	(2,012)
Total comprehensive income for the period	—	—	—	(2,012)	40,527	38,515	407	38,922
Transfer to the legal reserve	—	—	2,620	—	(2,620)	0	0	0
Dividends	—	—	—	—	(19,903)	(19,903)	0	(19,903)
At June 30, 2023 (unaudited)	<u>338,483</u>	<u>425,041</u>	<u>10,907</u>	<u>5,958</u>	<u>16,230</u>	<u>796,619</u>	<u>792</u>	<u>797,410</u>

* These reserve accounts comprise the consolidated reserves of €458,136 thousand (2022: €409,743 thousand) in the consolidated statements of financial position.

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

These unaudited interim condensed consolidated financial statements of Ferretti S.p.A. and its subsidiaries (collectively, the “**Group**”) for the six-month period ended June 30, 2023 were authorized for issue in accordance with a resolution of the directors on August 2, 2023.

Ferretti S.p.A. (the “**Company**” or “**Ferretti**”) is a limited liability company incorporated in Italy. The registered office of the Company is located at Via Irma Bandiera, 62–47841 Cattolica (Rimini), Italy.

The Company and its subsidiaries are principally engaged in the design, construction and marketing of yachts and recreational boats.

The table below shows the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at June 30, 2023.

Subsidiaries

(consolidated line by line, with an indication of the percentage of share capital)

Name	Principal country of operation	Registered office	Currency	Share capital (in units)	% controlling interest	
					Direct	Indirect
Zago S.p.A.	Italy	Scorzé (Venice)	Euro	120	100%	
Il Massello S.r.l.	Italy	Sant’Ippolito (Pesaro-Urbino)	Euro	30		85%
Smart Wood S.r.l.	Italy	Sant’Ippolito (Pesaro-Urbino)	Euro	10		85%
Parola S.r.l.	Italy	Sant’Ippolito (Pesaro-Urbino)	Euro	10		85%
Sea Lion S.r.l.	Italy	Forlì (Forlì-Cesena)	Euro	10	75%	
Ram S.r.l.	Italy	Sarnico (Bergamo)	Euro	520	80%	
Ma.r.i.n.a. S.r.l.	Italy	Sarnico (Bergamo)	Euro	10.4		80%
Ferretti Tech S.r.l.	Italy	Cattolica (Rimini)	Euro	10	100%	
Allied Marine Inc.	USA	Fort Lauderdale (USA)	US Dollar	10	100%	
Fratelli Canalicchio S.p.A.	Italy	Narni (Terni)	Euro	500	60%*	

Notes to the Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION (CONTINUED)

Subsidiaries (Continued)

Name	Principal country of operation	Registered office	Currency	Share capital (in units)	% controlling interest	
					Direct	Indirect
Ferretti Group of America Holding Company Inc.	USA	Delaware (USA)	US Dollar	10	100%	
BY Winddown Inc.	USA	Miami (USA)	US Dollar	10		100%
Ferretti Group of America LLC.	USA	Fort Lauderdale	US Dollar	100		100%
Ferretti Group Asia Pacific Ltd.	China	Hong Kong (China)	Hong Kong Dollar	100	100%	
Ferretti Asia Pacific Zhuhai Ltd.**	China	Hengqin (Zhuhai)	Renminbi	1,000,000	100%	
Ferretti Group (Monaco) S.a.M.	Monaco	Principality of Monaco	Euro	150	99.4%***	
Ferretti Group UK Limited	United Kingdom	United Kingdom	Pound sterling	1	100%	
Ferretti Gulf Marine-Sole Proprietorship LLC.	Arab Emirates	Arab Emirates	Emirati Dirham	300	100%	

* The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options.

** Registered as a wholly-foreign-owned enterprise under PRC law.

*** The investment of 0.6% is owned by the three directors of Ferretti Group (Monaco) S.a.M. for their role, as provided for by the Bylaws.

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

2.1. Basis of Preparation

These unaudited interim condensed consolidated financial statements as at June 30, 2023, have been prepared in condensed form in conformity with the international accounting standard applicable to the preparation of interim financial statements (IAS 34). The unaudited interim condensed consolidated financial statements at June 30, 2023, do not contain all of the information required for the annual consolidated financial statements and should therefore be read together with the consolidated financial statements at December 31, 2022.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

For the purposes of clarity and to make this document more readily understandable, all the amounts listed in the unaudited interim condensed 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.

2.2. Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited 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, 2022, except for the adoption of new standards effective as of January 1, 2023. 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 2023, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2. Changes in Accounting Policies (Continued)

Definition of Accounting Estimates — Amendments to IAS 8

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

Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

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

Standards issued but not yet effective

The standards and interpretations that have already been issued, but are not yet effective at the date of issuance of the Group's financial statements, are disclosed below. The Group intends to adopt such standards when they enter into force and does not foresee any material impacts on its consolidated financial statements:

- Amendments to IAS 1 Presentation of Financial Statements:
 - Classification of Liabilities as Current or Non-current Date (issued on January 23, 2020);
 - Classification of Liabilities as Current or Non-current — Deferral of Effective Date (issued on July 15, 2020); and
 - Non-current Liabilities with Covenants (issued on October 31, 2022)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on September 22, 2022)

Notes to the Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

2.2. Changes in Accounting Policies (Continued)

Standards issued but not yet effective (Continued)

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on May 25, 2023)
- Amendments to IAS 12 Income taxes: International Tax Reform — Pillar Two Model Rules (issued May 23, 2023)

Segment Report

For management purposes the Group has a single operating segment relevant for reporting. This segment is the design, construction and marketing of yachts and pleasure craft. Since it is the only operating segment on which the Group reports, no additional analysis of its operating segment is provided.

3. FINANCIAL RISK MANAGEMENT

The following qualitative information, which is being offered to provide a better understanding of the impact of financial instruments on the Group's statement of financial position, income statement and Cash Flow Statement, is also designed to explain more clearly the Group's exposure to the different types of risks associated with financial instruments and the corresponding management policies, as required by IFRS 7.

The table below lists the assets and liabilities by category of measurement:

Financial assets

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Life insurance with "Bipiemme Vita S.p.A."	4,900	4,900
Life insurance with "CNP Vita Assicurazione S.p.A."	38,414	38,008
Total financial assets at fair value	43,314	42,908
Debt instruments at amortized cost:		
Trade receivables	21,041	17,011
Financial assets included in other receivables	3,574	2,563
Other current assets	2,353	3,465
Other non-current assets	2,153	2,530
Total financial assets*	72,435	68,477

* Financial assets, other than cash and short-term deposits

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets (Continued)

There are not derivatives (designated or not as hedging instruments), financial assets at fair value through profit or loss, equity instruments and debt instruments designated at fair value through OCI.

In addition during the previous year the Company began to sign time deposit accounts agreements with primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months.

The details of contracts in place on June 30, 2023 follows:

Fixed Interest Period	Bank	Currency	Amount	Rate%	Expire Date
Two months	Barclays Bank Ireland PLC	Eur	20,000	3.00%	02/07/2023
Three months	Barclays Bank Ireland PLC	Eur	10,000	3.40%	20/09/2023
Three months	Unicredit SpA	Eur	10,000	3.40%	22/09/2023
Three months	Unicredit SpA	Eur	10,000	3.50%	29/09/2023
Three months	BNL S.p.A. — BNP P Group	Eur	30,000	3.65%	02/10/2023
Three months	Credit Agricole CIB Sa	Eur	20,000	3.63%	28/09/2023
Three months	Credit Agricole CIB Sa	Eur	30,000	3.63%	26/09/2023
Six months	China Construction Bank (Europe) S.A.	Eur	10,000	2.95%	19/07/2023
Five months	China Construction Bank (Europe) S.A.	Eur	20,000	3.05%	19/07/2023
Interest			491		
"Time deposit accounts" under "Cash and Cash Equivalents"			<u>160,491</u>		

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions; the currency of the cash and cash equivalents were mainly denominated in Euro. The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 25).

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Interest-bearing loans and borrowings		
<i>Bank and other borrowings</i>	5,171	6,811
<i>Lease liabilities</i>	27,535	28,158
<i>Minority Shareholder Loan</i>	1,000	1,000
<i>Other</i>	—	1,676
Total Interest-bearing loans and borrowings	33,705	37,645
Other financial liabilities		
Derivatives not designated as hedging instruments		
Financial liabilities at fair value through profit or loss		
<i>Liability arising on business combination</i>	2,021	1,912
Total financial instruments at fair value	2,021	1,912
Other financial liabilities at amortized cost, other than interest-bearing loans and borrowings		
Trade and other payables	340,228	293,150
Total other financial liabilities	375,954	332,707

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement

The carrying amounts and fair values of Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of the fair value, are as follows:

	June 30, 2023 (unaudited)		December 31, 2022 (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Life insurance with "Bipiemme Vita S.p.A."	4,900	4,900	4,900	4,900
Life insurance with "CNP Vita Assicurazioni S.p.A."	38,414	38,414	38,008	38,008
Total	43,314	43,314	42,908	42,908
Financial liabilities				
Bank and other borrowings	5,171	5,171	6,811	6,811
Lease liabilities	27,535	27,535	28,158	28,158
Minority Shareholder Loan	1,000	1,000	1,000	1,000
Other	—	—	1,676	1,676
Liability arising on business combination	2,021	2,021	1,912	1,912
Total	35,726	35,726	39,557	39,557

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, other current assets and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of financial assets and liabilities are included in the amount for which an instrument could be exchanged in a current transaction between consenting parties other than a forced or liquidation sale.

The fair values of the non-current part of bank and other borrowings have been calculated by discounting expected future cash flows using the rates currently available for instruments with similar terms, credit risk and maturities.

IFRS 7 requires that the financial instruments recognized at fair value on the consolidated statement of financial position be classified based on a hierarchical ranking that reflects the reliability of the inputs used to measure fair value. The following levels are used:

- Level 1 — prices quoted in an active market for the assets or liabilities that are being measured;
- Level 2 — inputs other than the quoted prices of Level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market;
- Level 3 — inputs that are not based on observable market data.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

The table below lists assets and liabilities for which fair values are disclosed:

Financial statement line item	June 30, 2023 (unaudited)				December 31, 2022 (audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Other current assets			43,314	43,314			42,908	42,908
Bank and other borrowings		5,171		5,171		6,811		6,811
Lease liabilities		27,535		27,535		28,158		28,158
Minority Shareholders' Loan		1,000		1,000		1,000		1,000
Other						1,676		1,676
Liability arising on business combination			2,021	2,021			1,912	1,912

At June 30, 2023 the Financial Other current asset under Level 3 for €43,314 thousand refers to the value of two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

	Financial Other current assets — Level 3
At January 1, 2022 (audited)	—
Life insurance with "Bipiemme Vita S.p.A."	4,900
Life insurance with "CNP Vita Assicurazioni S.p.A."	37,999
Unrealized fair value changes recognized in profit or loss	9
At December 31, 2022 (audited)	42,908
Unrealized fair value changes recognized in profit or loss	406
At June 30, 2023 (unaudited)	43,314

The financial asset has been calculated on the base of the current value reported by the insurance companies as of the reporting date.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

The following table presents a sensitivity analysis of the Financial Other current assets — Level 3, keeping all other variables constant, with a disinvestment occurring 12 months after the relevant subscription date.

Change % interest rate	At June 30, 2023 (unaudited) Financial Other current assets — Level 3 (in thousand Euro)
-0.50%	(19)
0.50%	19

The item Bank and other borrowings non-current under Level 3 for €2,001 thousand refers to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello s.r.l., both exercisable from September 2027 to September 2028.

	Bank and other borrowings non-current — Level 3
At December 31, 2021 and January 1, 2022 (audited)	—
Liability arising on business combination for Fratelli Canalicchio S.p.A.	436
Liability arising on business combination for Il Massello	1,476
Unrealized fair value changes recognized in profit or loss	—
At December 31, 2022 (audited)	1,912
Change in Net Present Value	89
At June 30, 2023 (unaudited)	2,001

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

The financial debt has been calculated on the basis of the agreements with non-controlling interests that links the price of exercise of this put/call option to the financial performance of the subsidiaries and the Net Present Value has been discounted using the rate of 9.5%. The increase from December 31, 2022 to June 30, 2023 is due to the shortening of the period of exercise of the options.

The following table presents a *sensitivity analysis* of the Bank and other borrowings non-current — Level 3, keeping all other variables constant.

	At June 30, 2023 (unaudited) Bank and other borrowings non-current — Level 3 (in thousand Euro)
Change % interest rate	
-0.50%	(40)
0.50%	40

Liquidity Risk

The liquidity risk is the risk that an entity may find it difficult to perform obligations arising from financial and trade liabilities in accordance with stipulated terms and due dates.

The Group continuously monitors the cash flow through the planning of the expected cash flows and the necessary financing sources on a weekly basis, over a monthly horizon, taking also into account the seasonality of the Group's business.

In most of the transactions, the sales policies adopted by the Group continue to call for payment of any contractually owed balances when the boat is delivered and the collection of security deposits and advances in accordance with contractually established schedules, particularly in accordance with the size of the boat.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

The table below, which provides a quantitative analysis of the liquidity risk, shows a breakdown of future financial flows based on the financial liabilities outstanding at June 30, 2023 and at the end of the previous fiscal year, with a breakdown of the Group's financial payables by contractually stipulated due dates:

	Balance at June 30, 2023 (unaudited)	Future financial flows					Total financial flows
		Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings (excluding lease liabilities)	(5,171)	(2,287)	(419)	(210)	(1,629)	(1,268)	(5,813)
Minority Shareholders' Loan	(1,000)	—	—	(1,000)	—	—	(1,000)
Others	0	—	—	—	—	—	0
Liability arising on Business combination	(2,021)	—	—	—	(2,021)	—	(2,021)
Lease Liabilities	(27,535)	(2,560)	(5,005)	(2,435)	(15,705)	(6,061)	(31,766)
Trade and other payables	(340,228)	(273,008)	(64,989)	(2,230)	0	0	(340,228)
Total	(375,954)	(277,856)	(70,413)	(5,875)	(19,355)	(7,329)	(380,828)

	Balance at December 31, 2022 (audited)	Future financial flows					Total financial flows
		Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings (excluding lease liabilities)	(6,811)	(3,570)	(414)	(208)	(1,803)	(1,343)	(7,338)
Minority Shareholders' Loan.	(1,000)	—	—	(1,000)	—	—	(1,000)
Other	(1,676)	(1,676)	—	—	—	—	(1,676)
Liability arising on business combination	(1,912)	—	—	—	(1,912)	—	(1,912)
Lease liabilities	(28,158)	(2,558)	(5,035)	(2,472)	(16,885)	(5,008)	(31,957)
Trade and other payables	(293,150)	(245,786)	(45,758)	(1,606)	—	—	(293,150)
Total	(332,707)	(253,590)	(51,207)	(5,285)	(20,600)	(6,351)	(337,034)

The tables above analyze the maximum risk entailed by the financial liabilities (including trade payables). All flows shown are nominal undiscounted future flows, determined based on the remaining contractual due dates with regard both to principal and interest.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk

This is the risk that the fair value and future financial flows of a financial instrument may fluctuate due to changes in market prices. The market risk includes the following subcategories:

- Currency risk (the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates);
- Interest rate risk (the risk that the value of financial instruments may fluctuate due to changes in market interest rates);
- Price risk (the risk that the value of financial instruments may fluctuate due to changes in market prices).

The risk more specifically related to the Group's business is the risk of fluctuations in exchange rates. This risk relates to the possibility of changes in the Euro amount corresponding to the net foreign currency exposure for invoices issued, outstanding orders and, marginally, invoices payable and cash balances in foreign currency accounts.

The Group is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made by the subsidiary Ferretti Group of America LLC.

During 2022 and first half 2023 no cash flow hedging was done in view of the exchange rate trend. In any case, as of June 30, 2023 and December 31, 2022, there were no currency forwards in place.

The following table presents a sensitivity analysis, at the end of each of the financial years, of the Group's profit before tax and equity (excluding losses carried forward) to a reasonably possible change in the exchange rate with the US dollar, keeping all other variables constant.

Change % EUR/USD exchange rate	At June 30, 2023		At December 31, 2022	
	+/- Profit before tax	+/- Equity (in thousand Euro)	+/- Profit before tax	+/- Equity
-5%	1,522	14,708	522	15,038
+5%	(1,377)	(13,307)	(473)	(13,606)

The interest risk is the risk that the value of future financial flows could fluctuate due to changes in market interest rates. In 2019, Ferretti S.p.A. and the subsidiary CRN S.p.A. (merged in Ferretti) signed a loan agreement with a pool of financing banks for a maximum total amount of €170 million with a five-year term. The interest rate applicable to the Loan is equal to the sum of the relevant spread (290 basis points per annum for the Term Loan Facility and the Revolving Pre-Finance Facility and 300 basis points per annum for the Revolving Credit Facility) and Euribor. The spread may also decline according to the level of the leverage ratio.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk (Continued)

The following is a sensitivity analysis determined on the basis of the exposure as at the reporting dates June 30, 2023 and December 31, 2022 of the Group's financial debt (assuming that Euribor is above zero, considering the zero-floor condition generally applied to the group's main borrowings).

Change in 6M Euribor		At June 30, 2023 (unaudited)		At December 31, 2022 (audited)	
(+)	(-)	(+)	(-)	(+)	(-)
<i>(in thousand Euros)</i>					
+50 BP	-50 BP	165	(165)	175	(175)
+100 BP	-100 BP	329	(329)	350	(350)
+200 BP	-200 BP	659	(659)	700	(700)
+300 BP	-300 BP	988	(988)	1,050	(1,050)

Credit Risk

The credit risk is the risk of potential losses due to the inability of counterparties to fulfill commercial or financial obligations. This risk can arise when a counterparty defaults for technical/commercial reasons (disputes about the nature/quality of a product, interpretation of contract clauses, etc.) or when one party causes the other party to incur a loss by failing to comply with an obligation.

In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Group believes that its credit risk is not material. The payment of advances is associated with both the defined contractual due dates and the achievement of production milestones.

At the procedural level, in the limited number of cases in which the sales policies mentioned above are not applicable, the Group's receivables and the accrued advances to be paid are monitored periodically to verify compliance with contractual payment terms.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

The table below reports residual amounts — i.e., already net of any write-downs — which even if expired at the reporting date (June 30, 2023) are considered fully recoverable:

	Balance at June 30, 2023 (unaudited)	Not due	30 days	Past due		Beyond
				30–60 days	60–90 days	
Cash and cash equivalents	309,660	309,660				
Trade receivables*	21,041	10,602	1,907	2,584	1,080	4,867
Other current assets	45,669	45,669				
Financial assets included in other receivables	3,574	3,574				
Financial assets included in other non-current assets	2,153	2,153				
Total at June 30, 2023	382,097	371,658	1,907	2,584	1,080	4,867

(*) Net of the allowance for doubtful accounts of €3,215 thousand.

	Balance at December 31, 2022 (audited)	Not due	30 days	Past due		Beyond
				30–60 days	60–90 days	
Cash and cash equivalents	317,759	317,759				
Trade receivables*	17,011	6,975	2,305	1,363	1,456	4,912
Other current assets	86,732	86,732				
Financial assets included in other receivables	2,563	2,563				
Financial assets included in other non-current assets	2,530	2,530				
Total at December 31, 2022	426,595	416,559	2,305	1,363	1,456	4,912

(*) Net of the allowance for doubtful accounts of €3,216 thousand.

Notes to the Interim Condensed Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

The table below reports the amount of trade receivables — i.e., gross of any write-downs — which even if expired at the reporting date (June 30, 2023) are considered fully recoverable:

	Balance at June 30, 2023 (unaudited)	Not due	30 days	Past due		
				30–60	60–90	Beyond
%	13%	0%	0%	0%	0%	40%
Trade receivables	24,256	10,602	1,907	2,584	1,080	8,082
Provision for doubtful accounts	3,215	0	0	0	0	3,215
Total at June 30, 2023	21,041	10,602	1,907	2,584	1,080	4,867
	Balance at December 31, 2022 (audited)	Not due	30 days	Past due		
				30–60	60–90	Beyond
%	16%	0%	0%	1%	8%	38%
Trade receivables	20,227	6,975	2,309	1,373	1,586	7,984
Provision for doubtful accounts	3,216	0	3	9	131	3,073
Total at December 31, 2022	17,011	6,975	2,305	1,363	1,456	4,912

Capital Management

The goals of managing the Group's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 17–19), depreciation and amortization (Note 16), of €82,616 thousand for the six-month period ended June 30, 2023 (December 31, 2022: €115,194 thousand), in addition to maintenance of sound capital ratios in support of its business and maximizing value for shareholders.

The Group manages its financial structure and adjusts it in response to changes in economic conditions and the risk characteristics of the underlying assets.

The Group is not subject to externally imposed capital requirements.

No changes were made to capital management objectives, policies or processes during the current or previous years.

Notes to the Interim Condensed Consolidated Financial Statements

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the income statement for the six-month period ended June 30, 2023, compared with correspondent period of prior year.

4. NET REVENUE

The following table provides the breakdown of the item net revenue for the six-month period ended June 30, 2023, compared with the correspondent period of prior year:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Total Revenue from contracts with customers	613,346	555,641
Commissions and other costs related to revenue	(32,505)	(20,694)
Total net revenue	<u>580,841</u>	<u>534,948</u>

The table below shows the breakdown of net revenue by production type:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Composite yachts	259,790	233,710
Made-to-measure yachts	207,983	201,286
Super yachts	64,847	48,928
Other businesses	48,221	51,024
Total net revenue	<u>580,841</u>	<u>534,948</u>

Revenue arising from other businesses is broken down below.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Boat brokerage	5,363	6,691
Sales and provision of carpentry products and services	9,445	7,562
FSD	1,446	459
Used boats	13,419	24,328
Provision of services and sales of replacement parts, merchandise and other goods	8,845	7,861
Wally sailboats	9,703	4,124
Total other businesses	<u>48,221</u>	<u>51,024</u>

Notes to the Interim Condensed Consolidated Financial Statements

4. NET REVENUE (CONTINUED)

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 12 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” refers 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 the first half of 2023 as well the Group continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

Notes to the Interim Condensed Consolidated Financial Statements

4. NET REVENUE (CONTINUED)

The breakdown of net revenue by geographical area was as follows:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
EMEA	250,247	225,641
APAC	73,857	38,063
AMAS	143,668	171,293
Global*	64,847	48,928
Other businesses	48,221	51,024
Total net revenue	<u>580,841</u>	<u>534,948</u>

* The item "Global" refers to net revenue from super-yachts not attributed to a single geographical area, inasmuch as, for example, the client's country of residence differs from that of registration of the vessel.

In accordance with IFRS 15, net revenue is shown below with a breakdown into obligations fulfilled at a point in time and those that are fulfilled over time.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
At a point in time	34,457	50,421
Over time	546,384	484,526
Total net revenue	<u>580,841</u>	<u>534,948</u>

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

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Revenue from contract liabilities	124,916	101,912

Notes to the Interim Condensed Consolidated Financial Statements

4. NET REVENUE (CONTINUED)

The following table shows the amount of transaction price for existing contracts outstanding at June 30, 2023 which will be converted into revenue from contracts with customers within one year or after one year.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Within one year	552,745	514,414
After one year	257,654	174,181
	<u>810,399</u>	<u>688,594</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year relate to sale of new boats, of which the performance obligation is to be satisfied within 2 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained, that is included in contract liabilities.

During the Relevant Period, revenue to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer.

5. CHANGE IN INVENTORIES OF WORK-IN-PROCESS, SEMI-FINISHED AND FINISHED GOODS

The change in inventories of work-in-process, semi-finished and finished goods refers to inventories of boats not covered by orders.

6. COST CAPITALIZED

This item, amounting to €14,832 thousand, consists mainly of costs incurred for labor, materials and manufacturing overhead that were capitalized under the item "Models and molds". These costs were incurred primarily for the internal production of models and molds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

Notes to the Interim Condensed Consolidated Financial Statements

7. OTHER INCOME

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Discounts from suppliers	2,720	2,741
Cost over-accruals	1,285	1,076
Damage settlements	1,204	56
Rental income	419	430
Rebilling of miscellaneous costs to customers and dealers	624	245
Gains on sales of assets	100	10
Other	1,984	3,158
Total Other income	8,335	7,716

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 period.

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 received proceeds of insurance payouts related in particular to fire damages occurred to the Company's shipyard in Cattolica (Rimini) collected in 2023.

The item "Other" includes 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.

8. RAW MATERIALS AND CONSUMABLES USED

This item primarily reflects purchases of raw and ancillary materials and the change for the six-month period ended June 30, 2023 in the corresponding inventories.

9. CONTRACTORS COSTS

This item 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.

10. COSTS FOR TRADE SHOWS, EVENTS AND ADVERTISING

The main components of this item are advertising and promotional expenses and expenses incurred to attend industry trade shows. This item also includes costs of communication and image consulting.

Notes to the Interim Condensed Consolidated Financial Statements

11. OTHER SERVICE COSTS

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Transportation and customs clearing costs	12,529	9,689
Technical consulting	7,327	7,163
Tax, legal and administrative consulting services	6,163	6,231
Utilities	4,740	4,450
Insurance	3,074	3,128
Fees paid to members of corporate governance bodies	2,851	3,167
Travel and per diem expenses	2,719	1,690
Entertainment expenses	2,499	1,957
Maintenance	2,103	2,227
Recruiting and training costs	1,631	1,340
Management Incentive Plan	0	3,213
Other	13,220	16,798
Total other service costs	58,856	61,053

The item "Technical consulting" amounting to €7,327 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

The item "Tax, legal and administrative consulting services" mainly included €2,807 thousand for legal advice and notaries' fees and €1,346 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €250 thousand referred to IT consulting.

In the six-month period ended June 30, 2023, "Fees paid to members of corporate governance bodies" included €2,732 thousand for fixed and variable remuneration paid to Directors, as well as €77 thousand in fees paid to Statutory Auditors and €43 thousand for the Supervisory Body.

The item "Recruiting and training costs" mainly refers to the costs incurred by Group companies for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training.

The item "Other" consists mainly of costs incurred for services of various types, such as security services, janitorial services, etc.

Notes to the Interim Condensed Consolidated Financial Statements

12. RENTALS AND LEASES

The Group recognized the right-of-use assets and the lease liabilities, excluding short-term leases and leases related to low-value assets. The right-of-use assets of most lease contracts were recognized based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognized based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease previously recognized. Lease liabilities were recognized at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Short-term rentals and leases	1,213	1,302
Rentals and leases for low-value assets	992	1,055
Royalties	2,276	1,377
Total rentals and leases	<u>4,482</u>	<u>3,733</u>

13. PERSONNEL COSTS

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Wages and salaries	46,733	52,588
Social security contributions	15,463	14,467
Non-current employee benefits and other provisions	2,891	2,246
Total personnel costs	<u>65,088</u>	<u>69,301</u>

14. OTHER OPERATING EXPENSES

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Cost under-accruals	1,045	2,493
Taxes and fees other than income taxes	750	743
Memberships in trade associations	362	323
Re-billable costs	234	781
Advertising and promotional material	187	147
Settlement agreements	73	228
Losses on asset sales	37	6
Sundry operating costs	264	905
Total other operating expenses	<u>2,953</u>	<u>5,626</u>

Notes to the Interim Condensed Consolidated Financial Statements

14. OTHER OPERATING EXPENSES (CONTINUED)

“Cost under-accruals” referred mainly to the higher costs incurred during the financial year in excess of the provisions recognized in the financial year ended December 31, 2022 for supplies pertaining to the previous years.

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.

The item “Settlement agreements” related to several private agreements entered into in the course of the six-month period ended June 30, 2023.

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

15. PROVISIONS AND IMPAIRMENT

This item is shown net of utilizations and releases to income made during the six-month period ended June 30, 2023 and 2022.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Allocations to the provision for product warranties	20,421	18,332
Provision for miscellaneous risks, net	4,423	8,027
Allocations to the provision for doubtful accounts	0	500
Total provisions and impairment	<u>24,844</u>	<u>26,859</u>

16. DEPRECIATION AND AMORTIZATION

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Depreciation of property, plant and machinery	23,253	19,609
Depreciation of rights-of-use assets	4,319	3,559
Amortization of intangible assets	2,556	2,349
Total depreciation and amortization	<u>30,128</u>	<u>25,518</u>

Reference should be made to the tables on property, plant, equipment and intangible assets for additional details.

Notes to the Interim Condensed Consolidated Financial Statements

17. FINANCIAL INCOME

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Interest income from banks	2,542	4
Interest and other financial income	1,734	1
Total financial income	<u>4,277</u>	<u>5</u>

18. FINANCIAL EXPENSES

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Interests on banks and other loans	(657)	(1,594)
Interest on lease liabilities	(134)	(61)
Interest on provision for severance benefits and pensions	(54)	(28)
Other financial expenses	(1,113)	(673)
Total financial expenses	<u>(1,957)</u>	<u>(2,356)</u>

19. FOREIGN EXCHANGE GAINS/(LOSSES)

As at June 30, 2023, 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, 2023.

20. INCOME TAX

As shown in the table that follows, the "Income tax" amount for the six-month period ended June 30, 2023 was a tax expenses of €14,658 thousand, as detailed below:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Corporate income tax (IRES)	(2,614)	(41)
Regional tax (IRAP)	(2,982)	(1,356)
Federal taxes	(1,595)	(1,781)
Total current taxes	<u>(7,192)</u>	<u>(3,178)</u>
Prior-year taxes	(76)	0
Deferred taxes	(7,390)	3,902
Total income tax	<u>(14,658)</u>	<u>724</u>

20. INCOME TAX (CONTINUED)

The IRES (Imposta sul reddito delle società) taxable base of Ferretti S.p.A. and the subsidiary Zago S.p.A. was positive, and therefore, within the framework of national tax consolidation, a provision was made for this tax based on the 24% rate currently in force in Italy. The increase is attributable to the higher taxable income for the period, although reduced due to the use of tax losses and deductible interest expenses carried forward.

Also the IRAP (Imposta regionale sulle attività produttive) taxable base of Ferretti S.p.A. and the subsidiary Zago S.p.A. was positive, and therefore a provision was made for this tax based on the rate in force in the regions in which the value of production is calculated. The increase is attributable to the higher taxable income for the period.

For companies based in the United States, federal and state taxes of €1,595 thousand are due, as a result of the taxable income during the period.

Notes to the Interim Condensed Consolidated Financial Statements

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the consolidated statement of financial position as of June 30, 2023 compared with correspondent amount as of December 31, 2022.

CURRENT ASSETS

21. CASH AND CASH EQUIVALENTS

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Bank and postal accounts	149,142	129,615
Time deposit	160,491	188,127
Cash and securities on hand	26	17
Total cash and cash equivalents	<u>309,660</u>	<u>317,759</u>

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. There are no obligations or restrictions on use except for time deposits accounts which do not bear interests at the agreed rate, if not maintained until the maturity date. Amounts collected and held in escrow accounts are classified as current assets, under the line item "Other current assets".

The carrying amount of "Cash and cash equivalents" is deemed to be aligned with their fair value at the reporting date.

During last year, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months.

The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 25).

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions, and the currency of the cash and cash equivalents were mainly denominated in Euro (for details see Note 3).

A detailed analysis of the changes that occurred in this item is provided in the cash flow statement.

Notes to the Interim Condensed Consolidated Financial Statements

22. TRADE AND OTHER RECEIVABLES

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Trade receivables	21,041	17,011
Other receivables	28,830	42,421
Total trade and other receivables	<u>49,872</u>	<u>59,432</u>

Trade receivables

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Accounts receivable from customers	24,256	20,227
(Less) Provision for doubtful accounts	<u>(3,215)</u>	<u>(3,216)</u>
Total trade receivables	<u>21,041</u>	<u>17,011</u>

“Accounts receivable from customers” as at June 30, 2023 relate primarily to sales and services other than boat sales, 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.

Notes to the Interim Condensed Consolidated Financial Statements

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

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

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
At beginning of year	3,216	5,745
Impairment losses, net	—	558
Amount written off as uncollectible	(2)	(3,089)
At end of period	3,215	3,216

An impairment analysis is performed at the end of each of the reporting dates to measure expected credit losses. The provision rates are based on the aging 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.

For an analysis of the aging of trade receivables by the due date and net of the provision for doubtful accounts, refer to Note 3, Financial risks management.

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, 2023 (unaudited)	December 31, 2022 (audited)
Other tax receivables	13,477	27,206
Accruals, deferrals and other receivables	15,354	15,215
Total other receivables	28,830	42,421

Other tax receivables refer to VAT.

Notes to the Interim Condensed Consolidated Financial Statements

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables (Continued)

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

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Receivables owed by social security institutions	230	223
Commissions advances	5,847	4,890
Advances, prepayments and sundry receivables from suppliers	4,267	3,876
Others	361	305
Accruals and deferrals	4,649	5,922
Total accruals, deferrals and other receivables	<u>15,354</u>	<u>15,215</u>

"Receivables owed by social security institutions" at June 30, 2023 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €160 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €3 thousand.

The balance relating to "Advances, prepayments and sundry receivables from suppliers" at June 30, 2023 mainly refers for about €1,155 thousand to advances already paid for the main industry trade shows to be held in the next months of 2023. The balance also includes advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at June 30, 2023, the loss allowance of other receivables was assessed to be minimal.

Income tax recoverable

As at June 30, 2023 Income tax recoverable includes mainly tax credits recognized under Italian incentive laws ("Industria 4.0") for €859 thousand and advances for IRES and IRAP for €602 thousand paid in excess of the amount due at year end by some Group subsidiaries.

Notes to the Interim Condensed Consolidated Financial Statements

23. CONTRACT ASSETS

“Contract assets” consist of the amount payable by customers arising from contracts completed at the end of this accounting period, stated net of contract liabilities.

“Contract assets” are measured over time since they meet all the requirements set out in IFRS 15 and are recognized using the input method according to the percentage completed.

The following table provides the breakdown arising from “Contract assets” at June 30, 2023, compared to those at December 31, 2022.

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Gross value of contract assets	602,341	544,483
Advances collected	(467,193)	(429,111)
Total contract assets	<u>135,148</u>	<u>115,372</u>

24. INVENTORIES

	June 30, 2023 (unaudited)			December 31, 2022 (audited)		
	Gross value	Allowance for write-downs	Net amount	Gross value	Allowance for write-downs	Net amount
Raw materials and components inventory	67,710	(10,648)	57,062	64,896	(8,354)	56,541
Work in progress and semi-finished goods	137,530	—	137,530	92,783	0	92,783
New boats	50,099	—	50,099	32,263	(230)	32,032
Used boats	25,348	(7,274)	18,074	19,856	(3,093)	16,763
Total inventories	<u>280,688</u>	<u>(17,922)</u>	<u>262,765</u>	<u>209,797</u>	<u>(11,678)</u>	<u>198,120</u>

The “Raw materials and components inventory” is adjusted by an allowance for write-downs of €10,648 thousand as at June 30, 2023 (€8,354 thousand at December 31, 2022) that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

The item “Work in progress and semi-finished goods” includes boats not covered by orders at the end of the year.

The item “New boats”, refers to boats not covered by orders, whose production had been completed at the closing date of the financial year.

Notes to the Interim Condensed Consolidated Financial Statements

24. INVENTORIES (CONTINUED)

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €7,274 thousand, in order to bring the purchase cost down to its estimated realizable value.

The expected time for inventories to be recovered is as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Within one year	253,127	193,002
Beyond one year	9,638	5,118
Total inventories	<u>262,765</u>	<u>198,120</u>

Advances on inventories

The item "Advances on inventories" refers to the advances that the Group pays to its suppliers for purchases of raw materials.

25. OTHER CURRENT ASSETS

The item "Other current assets" was €45,669 thousand as at June 30, 2023 detailed as follow:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Escrow accounts	1,662	1,346
Time deposit and other financial investments	43,314	83,267
Incidental borrowing costs	655	641
Other	36	1,478
Total Other Current Assets	<u>45,669</u>	<u>86,732</u>

The escrow accounts for €1,662 thousand at June 30, 2023 refers to the deposits received by the subsidiary Allied Marine Inc. for its brokerage service (€1,346 thousand at December 31, 2022). These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

During the previous year the Company began to sign time deposit accounts agreements with primary banks, in order to benefit of increasing interest rates. The deposits have maturities ranging from one month to six months and outstanding amounts with a maturity of more than three months are classified as "Other current assets" (see Note 3 for further details).

Notes to the Interim Condensed Consolidated Financial Statements

25. OTHER CURRENT ASSETS (CONTINUED)

The residual part mainly refers to two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

- Life insurance with “CNP Vita Assicurazioni S.p.A.”, for a premium of €38 million;
- Life insurance with “Bipiemme Vita S.p.A.”, for a premium of €5 million and annual coupon.

The “Incidentals borrowing costs” refer for €655 thousands to the committed “Revolving Credit Facility” and “Revolving Pre-Finance Facility, not in use on June 30, 2023 but available until August 2024 (Note 30).

NON-CURRENT ASSETS

26. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the six-month period ended June 30, 2023 compared with the same correspondent period for 2022 of prior year were as follows:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
At January 1, 2023 and January 1, 2022 (audited)		
Cost	689,527	597,435
Accumulated depreciation	<u>(386,131)</u>	<u>(337,581)</u>
Net carrying amount	<u>303,394</u>	<u>259,854</u>
At January 1, 2023 and January 1, 2022, net of accumulated depreciation (audited)		
Additions — owned assets	82,294	35,243
Additions — right of use assets	4,572	1,294
Disposals	(367)	(16)
Depreciation — owned assets	(23,253)	(19,609)
Depreciation — right of use assets	(4,319)	(3,559)
Exchange realignment	<u>(112)</u>	<u>980</u>
At June 30, 2023 (unaudited) and June 30, 2022 (unaudited), net of accumulated depreciation	<u>362,209</u>	<u>274,186</u>
Cost	767,439	634,936
Accumulated depreciation	<u>(405,231)</u>	<u>(360,749)</u>
Net carrying amount	<u>362,209</u>	<u>274,186</u>

Notes to the Interim Condensed Consolidated Financial Statements

26. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

On March 20, 2023, the Group acquired a production site of over 70,000 square meters, including a dry dock, in Italy near Ravenna. The acquisition involved an initial investment of about €40 million plus incidental acquisition costs for the advisors of the transaction. The Group will invest in the site to create new production areas and an R&D center. The operation forms part of Ferretti Group's growth strategy and the new facility, when fully operational, will increase production capacity by about 20%. The acquisition of the new Ravenna shipyard has been financed entirely with equity raised by the recent listing on the Hong Kong Stock Exchange.

The new production site in the province of Ravenna is strategically located, close to the Company's Forlì headquarter and its Cattolica shipyard. This operation consolidates the Group's investment strategy, which over the last five years has resulted in the expansion and improvement of all production facilities, and the La Spezia yard and the Ancona Superyacht Yard in particular.

As at June 30, 2023, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €16,414 thousand, €218 thousand and €1,663 thousand, respectively.

As at June 30, 2022, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €15,958 thousand, €387 thousand and €593 thousand, respectively.

As at June 30, 2023, the Group did not identify any impairment indicator for property, plant and equipment.

Notes to the Interim Condensed Consolidated Financial Statements

27. INTANGIBLE ASSETS

Movements in this item in the six-month period ended June 30, 2023 compared with the same correspondent period for 2022 of prior year were as follows:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
At January 1, 2023 and January 1, 2022 (audited)		
Cost	310,195	299,312
Accumulated depreciation	(46,125)	(41,138)
Net carrying amount	<u>264,070</u>	<u>258,174</u>
Net carrying amount		
At January 1, 2023 and January 1, 2022,		
net of accumulated amortization (audited)		
	264,070	258,174
Additions	2,189	1,730
Disposals	0	0
Amortization	(2,556)	(2,349)
Exchange realignment	(1)	(123)
At June 30, 2023 (unaudited) and June 30, 2022	<u>263,701</u>	<u>257,431</u>
(unaudited), net of accumulated amortization		
Cost	312,383	300,919
Accumulated amortization	(48,681)	(43,487)
Net carrying amount	<u>263,701</u>	<u>257,431</u>

Notes to the Interim Condensed Consolidated Financial Statements

27. INTANGIBLE ASSETS (CONTINUED)

Goodwill

Goodwill is related to the investment in the subsidiary Zago S.p.A., the subsidiary Ferretti Group (Monaco) S.a.M. and the subsidiaries acquired during the last year Il Massello S.r.l. and Fratelli Canalicchio S.p.A., as shown in the table below:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Zago S.p.A.	332	332
Ferretti Group (Monaco) S.a.M.	1,299	1,299
Fratelli Canalicchio S.p.A.	2,699	2,699
Il Massello S.r.l.	4,584	4,584
Total goodwill	<u>8,914</u>	<u>8,914</u>

Trademarks

A breakdown of the value of "Trademarks" at June 30, 2023 is as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Ferretti Yachts	95,318	95,318
Crn	46,528	46,528
Custom Line	36,718	36,718
Riva	30,848	30,848
Wally	25,434	25,434
Pershing	8,609	8,609
Easy Boat	9	9
Costs for trademark protection	1,056	983
Total trademarks	<u>244,521</u>	<u>244,448</u>

27. INTANGIBLE ASSETS (CONTINUED)

Trademarks (Continued)

Impairment test on indefinite useful life intangible assets

As required by IAS 36, "Impairment of Assets," intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least once per year.

IAS 36 also requires an entity to assess at each reporting date whether there are indications of impairment for any other assets recognized in the statement of financial position.

As of June 30, 2023, in consideration of the order intake, the revenue and the adjusted EBITDA recorded by the Group in the six-month period ended June 30, 2023 and the results of the impairment test performed at December 31, 2022 (including sensitivities), the Group did not identify any impairment indicators and therefore no impairment test has been performed.

Other Intangible Assets

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Concessions and other rights	1,490	1,519
Intellectual property rights	7,825	8,151
Software	952	1,038
Total other intangible assets	<u>10,267</u>	<u>10,709</u>

This item includes:

- "Concessions and other rights" with a net book value of €1,490 thousand and referring chiefly to (i) the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica, until 2053 for a net book value of €822 thousand; (ii) the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, until 2067 for the net book value of €606 thousand.
- "Intellectual property rights" with a net book value of €7,825 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganization of the Group initiated in previous years.
- the residual value of the item "Software" (€952 thousand) referred to the net value of licenses for new IT applications and the net value of patents.

Notes to the Interim Condensed Consolidated Financial Statements

28. OTHER NON-CURRENT ASSETS

A breakdown of this item is as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Equity investments designated at fair value through income statement	120	120
Investment in a joint venture	0	12
Deposits	1,620	1,655
Commissions advances	1,912	1,102
Other assets	1,024	1,766
Incidental borrowing costs	59	378
Total other non-current assets	4,734	5,031

a) Equity investments

The balances mainly include equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant.

b) Commissions advances

The balances mainly refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year.

c) Other assets

The item "Other assets" chiefly refer to prepaid expenses due after period-end.

Notes to the Interim Condensed Consolidated Financial Statements

29. DEFERRED TAX ASSETS

The movements of deferred tax assets for the six-month period ended June 30, 2023 are as follows:

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortization rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2022 and January 1, 2023 (audited)	13,773	2,653	633	10,484	1,114	57,683	904	87,242
Credited/(charged) to:								
profit or loss	5,337	1,451	(6)	(435)	(122)	3,137	(314)	9,048
used	—	—	—	—	—	(15,870)	—	(15,870)
other reserves	—	—	—	—	—	—	0	—
At June 30, 2023 (unaudited)	19,110	4,104	628	10,049	992	44,949	589	80,420

The movements of deferred tax liabilities for the six-month period ended June 30, 2023 are as follows:

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Others	Total	
At December 31, 2022 and January 1, 2023 (audited)		1,315	60,659	5,420	3,450	70,845
Charged/(credited) to:						
profit or loss	—	—	(64)	631	567	
other comprehensive income	—	—	—	25	25	
exchange differences	—	—	—	(37)	(37)	
At June 30, 2023 (unaudited)	1,315	60,659	5,356	4,069	71,399	

Notes to the Interim Condensed Consolidated Financial Statements

29. DEFERRED TAX ASSETS (CONTINUED)

The movements for the year ended December 31, 2022 are as follows:

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortization for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2021 and January 1, 2022 (audited)	10,054	2,663	1,218	9,525	1,256	61,698	500	86,914
Credited/(charged) to:								
profit or loss	3,719	(10)	(585)	959	(142)	(4,015)	(2,831)	(2,906)
acquisition of subsidiaries	—	—	—	—	—	—	71	71
other reserves	—	—	—	—	—	—	3,164	3,164
At December 31, 2022 (audited)	<u>13,773</u>	<u>2,653</u>	<u>633</u>	<u>10,484</u>	<u>1,114</u>	<u>57,683</u>	<u>904</u>	<u>87,242</u>

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Others	Total
At December 31, 2021 and January 1, 2022 (audited)	1,315	60,659	5,549	1,731	69,254
Charged/(credited) to:					
profit or loss	—	—	(129)	1,115	986
other comprehensive income	0	0	—	214	214
acquisition of subsidiaries	—	—	—	55	55
exchange differences	—	—	—	335	335
At December 31, 2022 (audited)	<u>1,315</u>	<u>60,659</u>	<u>5,420</u>	<u>3,450</u>	<u>70,845</u>

Notes to the Interim Condensed Consolidated Financial Statements

29. DEFERRED TAX ASSETS (CONTINUED)

For the purpose of their presentation in financial statements, some tax assets and liabilities have been set off each other in the statement of financial position. Below is an analysis of Group's deferred tax assets:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Deferred tax assets	9,021	16,397
Deferred tax liabilities	<u>—</u>	<u>—</u>
Total deferred tax assets	<u>9,021</u>	<u>16,397</u>

The payment of dividends by the Company to its shareholders did not entail related tax effects.

Notes to the Interim Condensed Consolidated Financial Statements

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

30. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS

	June 30, 2023 (unaudited)			December 31, 2022 (audited)		
	Effective Interest rate	Maturity	Amount	Effective Interest rate	Maturity	Amount
Due to banks — secured	Euribor* +1.6	2024	156	Euribor* +1.6	2023	150
Due to banks — unsecured	Euribor* +1.0-3.5	2024	2,560	Euribor* +1.0-3.5	2023	3,878
Incidental borrowing costs			0			0
Due to banks net of incidental borrowing costs			2,716			4,025
Due for maturity factor			0			0
Lease liabilities	1.7-4.7	2024	8,519	1.7-4.7	2023	8,799
Minority Shareholders' Loan		2024	1,000		2023	1,000
Others			0			1,676
Total short-term financial payables			12,234			15,500

	June 30, 2023 (unaudited)			December 31, 2022 (audited)		
	Effective Interest rate	Maturity	Amount	Effective Interest rate	Maturity	Amount
Due to banks — secured	Euribor* +1.6	2025	1,523	Euribor* +1.6	2024	1,605
Due to banks — unsecured	Euribor* +1.0-3.5	2025	933	Euribor* +1.0-3.5	2024	1,181
Incidental borrowing costs			0			0
Due to banks net of incidental borrowing costs			2,455			2,786
Lease liabilities	1.7-4.7	2031	19,016	1.7-4.7	2031	19,359
Liabilities arising on Business Combination			2,021			1,912
Total non-current financial payables			23,492			24,056
Total bank and other borrowings			35,726			39,556

(*) If Euribor is lower than zero, Euribor should be deemed equal to zero.

The Minority Shareholders' Loan refers to the loan of the company Fratelli Canalicchio S.p.A. granted by the minority shareholders.

The bank debt refers to several revolving facilities and term loan facilities related to the subsidiaries Il Massello Srl and its controlled companies, Fratelli Canalicchio S.p.A. and Ram S.p.A. and its controlled company.

30. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS (CONTINUED)

On August 2, 2019, the Company and its subsidiary formerly CRN S.p.A., now merged into Ferretti S.p.A., as borrowers, and Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland PLC, BNP Paribas, Milan Branch (also acting as agent — the “**Agent Bank**”), BPER Banca S.p.A., Crédit Agricole Italia S.p.A., MPS Capital Services Banca per le Imprese S.p.A. and UBI Banca S.p.A., as lenders, entered into a medium-to-long-term loan agreement for a maximum total amount of €170 million, divided into three lines of credit as follows:

- (a) an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company, to be repaid according to an amortization schedule that calls for six half-yearly payments, starting on December 31, 2021, with maturity on August 2, 2024, to be used to finance, inter alia, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the “**Term Loan Facility**”);
- (b) a revolving medium-to-long term line of credit with a total maximum amount of €40 million for the Company, to be repaid on the final maturity date (i.e., August 2, 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the “**Revolving Credit Facility**”);
- (c) a revolving medium-to-long term line of credit with a total maximum amount of €60 million for the Company, to be repaid on the final maturity date (i.e., August 2, 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the “**Revolving Pre-Finance Facility**”).

The Loan Agreement is subject to a financial covenant relating to the compliance with certain significant thresholds relating to the leverage ratio of total net debt (as defined in the Loan Agreement) to EBITDA (as defined in the Loan Agreement), to be calculated at the consolidated level on a half-yearly basis (June 30 and December 31, of each year on a 12-month basis).

In addition, the Loan Agreement provides for a commitment by Ferretti S.p.A., and the relevant subsidiaries to keep at 1.5x or higher the ratio of the gross order book to the amount to be repaid under the Revolving Pre-Finance Facility (a line of credit providing advances against the contracts). The parameter will be observed twice a year (December 31, and June 30). If this parameter is breached, draw-downs on the Revolving Pre-Finance Facility must be repaid to restore fulfillment of the parameter. Any repayments do not result in the cancellation of the facility for the part repaid.

At June 30, 2023 and December 31, 2022 all covenants had been fulfilled.

Finally, the Loan Agreement includes several mandatory early repayment clauses in certain circumstances.

The interest rate applicable to the Loan is equal to the sum of the EURIBOR and the applicable spread, according to the level of the leverage ratio.

30. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS (CONTINUED)

As of April 2021, spreads were reduced to 275 basis points per annum for the Term Loan Facility and Revolving Pre-Finance Facility and to 285 basis points per annum for the Revolving Credit Facility. With effect from September 2021, owing to the further improvement in the leverage ratio calculated at June 30, 2021, the spreads applicable to current draw-downs have fallen further to the contractual lows of 260 basis points per annum in the cases of the Term Loan Facility and Revolving Pre-Finance Facility and of 270 basis points per annum in the case of the Revolving Credit Facility.

This Loan is not in use and the amortizing medium-to-long term line of credit was prepaid in December 2022 for the remaining value of €47 million.

The item "Liabilities arising on Business Combinations" of Bank and other borrowings refers for €2,001 thousand to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello Srl, both exercisable from September 2027 to September 2028.

With regard to the analysis of bank and other borrowings based on maturity, please refer to Note 3 "Financial risk management".

All borrowings are denominated in Euro.

Notes to the Interim Condensed Consolidated Financial Statements

31. TRADE AND OTHER PAYABLES

The table below sets forth a breakdown of the Group's trade and other payables as of the dates indicated:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Trade payables	336,575	289,653
Other payables	47,676	48,717
Total trade and other payables	<u>384,251</u>	<u>338,370</u>
	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Trade and other payables — current	383,345	337,364
Trade and other payables — non-current	905	1,006
Total trade and other payables	<u>384,251</u>	<u>338,370</u>

a. Trade payables

A breakdown of this item is as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Accounts payable to suppliers	336,575	289,653
Total trade payables	<u>336,575</u>	<u>289,653</u>

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

For an analysis of future flows of trade payables, based on their maturity, please refer to Note 3 "Financial risk management".

Notes to the Interim Condensed Consolidated Financial Statements

31. TRADE AND OTHER PAYABLES (CONTINUED)

b. Other payables

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Payables due to pension and social security institutions	11,933	12,504
Amounts payable to employees	20,219	23,411
Amounts payable to directors	1,602	2,849
Other tax payable	6,251	3,344
Miscellaneous payables	3,620	3,464
Accrued expenses	946	1,426
Deferred income	2,199	714
Government authorisation fees	193	229
Deferred income — non-current	712	776
Total other payables	<u>47,676</u>	<u>48,717</u>

The item “Payables due to pension and social security institutions” reflects the amounts owed to these institutions at June 30, 2023 by Group companies and their employees for the June payroll and for accrued and deferred remuneration.

“Amounts payable to employees” refers to the June payroll to be paid in the following month and to the liability for accrued and unused vacations and personal days, as well as to the accrued portion of the performance and production bonus.

The item “Amounts payable to directors” refers to remuneration which has accrued but was not yet paid as of June 30, 2023.

The item “Other tax payable” chiefly refers to taxes withheld accrued that will be paid in July 2023.

The items “Accrued expenses and deferred income” consists mainly of insurance premiums and other transactions recognized on an accrual basis.

The item “Government authorization fees non-current”, totaling €193 thousand at June 30, 2023, relates mainly to prepayments of public grants received by the Group of €161 thousand authorized in favor of the former Riva S.p.A., now merged in the Company and €32 thousand authorized in favor of the former subsidiary CRN S.p.A., now also merged in the Company. Said deferred income was classified under “Non-current liabilities” for the portion due after the following year. These grants will be recognized in the income statement along with the amortization periods of the corresponding assets once the underlying framework agreements expire.

The Group’s management believes that the carrying amount of “Total trade and other payables” is close to their fair value.

Notes to the Interim Condensed Consolidated Financial Statements

32. CONTRACT LIABILITIES

“Contract liabilities” include amounts paid by customers for orders not yet fulfilled, based on the sales conditions normally applied. More specifically, this item represents both the part of advances exceeding production already completed and the part of advances received and for which the order has not progressed as at the reporting date.

33. INCOME TAX PAYABLE

The item “Income tax payable” at June 30, 2023 refers to income taxes accrued.

NON-CURRENT LIABILITIES

34. BANK AND OTHER BORROWINGS

For a description of this item, reference should be made to Note 30 above.

35. PROVISIONS

The table below shows the changes that occurred in “Provisions” during the six-months period ended June 30, 2023 and the year ended December 31, 2022:

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2023 (audited)	26,300	29,693	55,995
Additions	20,421	17,069	37,490
Utilizations during the period	(9,603)	(6,372)	(15,974)
Total at June 30, 2023 (unaudited)	37,119	40,392	77,510
	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2022 (audited)	18,867	21,572	40,438
Additions	26,097	16,302	42,399
Utilizations during the period	(18,663)	(8,181)	(26,843)
Total at December 31, 2022 (audited)	26,300	29,693	55,995

Notes to the Interim Condensed Consolidated Financial Statements

35. PROVISIONS (CONTINUED)

a. Provision for product warranties

The “Provision for product warranties” reflects the best possible estimate based on available information of the warranty obligations that may be incurred after the reporting date for products sold before that date.

The amount added annually to this provision, for all Group companies, is based on past experience and future expectations and takes into account new-product launches and the impact of a warranty period of 24 months, even though virtually all warranty claims are received within the first 12 months after a product is sold. A portion of the provision for product warranties is classified as non-current.

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Current portion	23,026	13,251
Non-current portion	14,093	13,049
Total provision for product warranties	<u>37,119</u>	<u>26,300</u>

b. Provisions for miscellaneous risks

The item “Provisions for miscellaneous risks” can be broken down as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Legal proceedings and tax and employment law litigation	9,306	9,171
Dealer incentives	13,312	10,007
Provisions for completion of boats	3,900	2,813
Provisions for other risks	13,873	7,702
Total provisions for miscellaneous risks	<u>40,392</u>	<u>29,693</u>

Provisions for “Legal proceedings and tax and employment law litigation” refer to potential liabilities arising in relation to the pending or threatened legal proceedings, including, inter alia, solidary risks on procurement, defectiveness products, personnel and supplier disputes and tax proceedings.

Notes to the Interim Condensed Consolidated Financial Statements

35. PROVISIONS (CONTINUED)

b. Provisions for miscellaneous risks (Continued)

The Group is involved mainly in two tax litigation proceedings: (i) litigation related to VAT for the 2009 period and its appeal was granted in the first and second instance from the Company. The Italian Revenue Agency lodged an appeal in the third instance and the hearing has been scheduled for September 2023; (ii) litigation related to the so-called “splafonamento” (VAT threshold) for the 2012 tax year. The Provincial Tax Commission accepted the appeal presented by the Company, against which The Revenue Agency notified its appeal. The value of the two litigations is approximately €5 million.

The provisions in item “Dealer incentives” were established to cover the costs that the Company could incur under a system that awards bonuses to dealers who reach predetermined customer service targets.

The “Provisions for other risks” were established to cover liabilities that are likely to arise as a result of other actions and expenses, different from the legal proceedings, that Group companies could face in the normal course of business. It includes a provision for potential liabilities related to commercial transactions for €8.3 million as at June 30, 2023 (€3.2 million as at December 31, 2022). In addition, there is a provision for the expected costs in connection with the Company’s development project for public land in La Spezia. The Company presented a new project entailing significant modifications from the original one approved in 2006 in relation to the reclamation of seabed. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure has yet to be completed pursuant to Article 242 et seq. of Legislative Decree No. 152/2006. The expected costs of this reclamation project have been estimated by the Company to amount to between €200 thousand and €400 thousand and as of the date of approval of the Financial Statements, the Group is waiting for indications from the Port Authority of La Spezia on the actions to be taken.

36. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item as at June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Provision for employee benefits	6,506	6,783
Provision for leaving indemnity	842	863
Total non-current employee benefits	<u>7,348</u>	<u>7,646</u>

36. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

Employee benefits

The process of determining the Group's obligations toward its employees, which was carried out by Mr. Tommaso Viola ("**Mr. Viola**"), being an Italian independent actuary and a member of the Italian "Ordine Nazionale degli Attuari", with the same procedure and assumptions followed for the calculation as at December 31, 2022.

Provision for leaving indemnity

As required by the new supplemental company agreement signed in July 2012 by the Company and the unions representing its employees, each year the Group sets aside a provision for seniority bonuses. These bonuses are payable to employees who, starting on September 1, 2012, have completed or will complete more than 12 years of service.

On a transitional basis, a different loyalty bonus will be paid on termination of the contracts to the employees at some sites who previously received a different bonus and had already accrued more than 12 years' service. The amount previously accruing for all workers will remain unchanged.

As was the case for the Provision for employee severance indemnities, the Group's liability toward its employees was determined by Mr. Viola, with the same procedure and assumptions followed for the calculation as at December 31, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

SHARE CAPITAL AND RESERVES

As at June 30, 2023 the share capital and reserves were unchanged in respect to the amount as at December 31, 2022, except for the profit of the six-month period ended June 30, 2023.

Equity amounted to €797,410 thousand at June 30, 2023 (€778,391 as at December 31, 2022), as detailed below together with the main components of "Share capital and reserves".

37. SHARE CAPITAL

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Issued and fully paid	338,483	338,483

The share capital, fully subscribed and paid up, is formed of 338,483,654 ordinary shares without par value.

38. RESERVES

The share premium reserve amounted to €425,041 thousand as at June 30, 2023.

The legal reserve, set up pursuant to applicable laws, amounts to €10,907 thousand.

The translation Reserves, amounting to €5,958 thousand at June 30, 2023, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and income statement of the US and UK subsidiaries of the Company, which are translated into Euro at the U.S. dollar and Great Britain Pound exchange rate in force at June 30, 2023 and at the average exchange rate for the period, respectively. During the period, the reserve changed by €(2,012) thousand, as reported in the consolidated comprehensive income statement.

The item "Other reserves", at €16,230 thousand at June 30, 2023, mainly includes:

- Reserve for transaction costs for issued share capital of €(8,176) thousand, formed during the current year by allocating the costs incurred by the company to undertake the capital increases in relation to the listing of the company on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") on June 30, 2022 and the following partial exercise of the Over-allotment Option. In particular, the Group in 2022 incurred in €11.3 million of listing expenses recognized as a deduction in equity, net of tax effects of €3,164 thousand;
- the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €656 thousand at June 30, 2023 was set up in accordance with IAS 19 — Employee Benefits; during the period the amount of the reserve changed by €79 thousand, net of the tax effect, as reported in the consolidated Comprehensive income statement;
- the remaining part is mainly referred to accumulated earnings/(losses).

Notes to the Interim Condensed Consolidated Financial Statements

38. RESERVES (CONTINUED)

Dividends

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Dividends	19,903	6,707

The General Shareholders' Meeting convened on May 18, 2023, authorized a dividend payout for €19,903 thousand (equal to €5.88 cents per share), made on June 5, 2023.

The General Shareholders' Meeting convened on May 25, 2022, authorized a dividend payout for €6,707 thousand, equal to €1.98 cents per share, made on June 30, 2022.

39. NON-CONTROLLING INTERESTS

Non-controlling interests are not material and represented by:

- 25% of Sea Lion S.r.l.'s shares;
- 20% of Ram S.p.A.'s shares;
- 15% of Il Massello S.r.l.'s shares and its related subsidiaries.

40. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY BASIC AND DILUTED

Earnings per share were calculated as the ratio of net profit for the period attributable to shareholders of the Company to the weighted average number of shares in issue during the year, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Profit attributable to shareholders of the company (in thousand Euro)	40,448	29,608
Weighted average number of shares during the period	338,482,654	294,714,294
Earnings per share attributable to shareholders of the company: basic and diluted (in Euro)	0.12	0.10

Notes to the Interim Condensed Consolidated Financial Statements

41. BUSINESS COMBINATIONS

2023

No business combination was made in the six-month period ended June 30, 2023.

2022

On July 29, 2022, the Group acquired a 100% interest in MA.RI.NA. s.r.l. through a cash payment of €468 thousand.

MA.RI.NA. s.r.l. is a company specialized in the sale of spare parts for Riva boats.

	Fair value recognized at acquisition date
Cash and cash equivalents	99
Trade and other receivables	170
Other current assets	411
Property, plant and equipment	96
Trademark	132
Current liabilities	(352)
Non-current employee benefits	(82)
Other non-current liabilities	(6)
Total net assets at fair value	468
Payment made	468
Below is an analysis of the cash flows relating to the acquisition of MA.RI.NA. s.r.l.:	
Payment of the consideration	(468)
Cash available at acquisition date	99
Cash outflows for the investment	(369)

From the date of acquisition, MA.RI.NA. s.r.l. contributed €162 thousand of revenue and €0.3 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,030,286 thousand and the profit before tax from continuing operations would have been €69,366 thousand.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

Notes to the Interim Condensed Consolidated Financial Statements

41. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

On September 19, 2022, the Group acquired a 60% interest in Fratelli Canalicchio S.p.A. through a cash payment of €100 thousand. The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options.

Details and input considered to estimate the fair value of these liabilities are disclosed in Note 3.

	Fair value recognized at acquisition date
Cash and cash equivalents	567
Trade and other receivables	4,256
Other current assets	2,678
Property, plant and equipment	2,468
Other non-current assets	908
Deferred tax	21
Current liabilities	(6,038)
Non-current employee benefits	(530)
Other	(3,393)
Total net assets at fair value	937
Non-controlling interests	—
Goodwill	2,699
Payment made	3,200
Liability arising on business combination (Note 3)	436
Total	3,636
Below is an analysis of the cash flows relating to the acquisition of Fratelli Canalicchio S.p.A.:	
Payment of the consideration	(3,200)
Cash available at acquisition date	567
Cash outflows for the investment	(2,633)

Notes to the Interim Condensed Consolidated Financial Statements

41. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

From the date of acquisition, Fratelli Canalicchio S.p.A. contributed €976 thousand of revenue and €11 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,036,770 thousand and the profit before tax from continuing operations would have been €68,952 thousand.

The goodwill of €2,606 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

On September 29, 2022, the Group acquired an 85% interest in Il Massello s.r.l. through a cash payment of €6,375 thousand. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The terms of put and call options over these non-controlling interests, mean that they do not give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have not been acquired. Thus, the Group recognized both non-controlling interests and these liabilities for shareholders under the options. Details and input considered to estimate the fair value of these liabilities are disclosed in Note 3.

	Fair value recognized at acquisition date
Cash and cash equivalents	263
Trade and other receivables	2,199
Other current assets	2,005
Property, plant and equipment	798
Other non-current assets	96
Current liabilities	(3,117)
Non-current employee benefits	(138)
Other non-current liabilities	—
Total net assets at fair value	2,107
Non-controlling interests (15% net assets)	(316)
Goodwill	4,584
Payment made	6,375
Liability arising on business combination (Note 3)	1,476
Below is an analysis of the cash flows relating to the acquisition of Il Massello s.r.l.:	
Cash available at acquisition date	263
Payment of the consideration	(6,375)
Cash outflows for the investment	(6,112)

Notes to the Interim Condensed Consolidated Financial Statements

41. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

From the date of acquisition, Il Massello s.r.l. contributed €127 thousand of revenue and €(204) thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,031,136 thousand and the profit before tax from continuing operations would have been €69,862 thousand.

The goodwill of €4,584 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

42. CASH FLOWS

Group's main non-monetary transactions

During the six-month period ended June 30, 2023 and the year ended December 31, 2022, the Group had non-cash additions to rights-of-use assets and lease liabilities of €4,572 thousand and €6,355 thousand, respectively.

Changes in liabilities arising from financing activities

Bank and other borrowings <i>(excluding lease liabilities)</i>	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
At the beginning of the period	11,400	57,682
Changes in financing activities:		
Acquisition of a subsidiary	0	—
New borrowings	200	—
Repayment	(4,789)	(11,442)
Other	1,381	—
Total at the end of the period	8,191	46,240

Notes to the Interim Condensed Consolidated Financial Statements

42. CASH FLOWS (CONTINUED)

Changes in liabilities arising from financing activities (Continued)

Lease liabilities	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
At the beginning of the period	28,158	30,801
Changes in financing activities:		
New lease	4,572	1,445
Interest expenses	134	61
Lease payment	(5,329)	(4,427)
Total at the end of the period	<u>27,535</u>	<u>27,880</u>

Total cash outflows for leasing

Total cash outflows for leasing included in the consolidated cash flow statements are as follows:

	June 30, 2023 (unaudited)	June 30, 2022 (unaudited)
Operating activities	2,205	2,357
Financing activities	5,329	6,159

43. RELATED PARTY TRANSACTIONS

Transactions with related parties, as defined by IAS 24, concern arrangements, not always formalized with the conclusion of standardized contracts, relating primarily to the supply of services, including advisory. These transactions form part of normal business operations and, in the Company's judgment, are in general settled under arm's length conditions.

Although the Company considers that transactions with related parties have been carried out in general under arm's length conditions, there is no guarantee that, if they had been concluded between or with third parties, the latter would have negotiated and entered into the related contracts, or carried out the transactions, under the same conditions and with the same procedures adopted by the Group.

Notes to the Interim Condensed Consolidated Financial Statements

43. RELATED PARTY TRANSACTIONS (CONTINUED)

The breakdown of the Group's balances with related parties at June 30, 2023 and December 31, 2022 is set out below:

	Trade and other receivables	Shareholders' debt	Trade and other payables
Fellow subsidiaries:			
Weichai Power Co Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd	3,150		0
Hydraulics Drive Technology			0
Ferretti International Holding S.p.A.	3,735		0
Other related companies:			
HPE S.r.l.	0		(50)
WM S.A.M. (former Wally S.A.M.)	195		0
Ferrari S.p.A.	0		(564)
Other related parties	28	(1,000)	(353)
Total related parties balances as at June 30, 2023 (unaudited)	7,592	(1,000)	(1,612)
	Trade and other receivables	Shareholders' debt	Trade and other payables
Fellow subsidiaries:			
Weichai Power Co Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd	3,150		0
Ferretti International Holding S.p.A.	891		0
Other related companies:			
HPE S.r.l.	0		(50)
WM S.A.M. (former Wally S.A.M.)	360		0
Ferrari S.p.A.	0		(535)
Poem S.r.l.			(8)
Other related parties	28	(1,000)	(139)
Total related parties balances as at December 31, 2022 (audited)	4,913	(1,000)	(1,376)

The balance of trade and other payables to Weichai Power Co., Ltd amounting to €645 thousand as at June 30, 2023 refers wholly to the agreements on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

Notes to the Interim Condensed Consolidated Financial Statements

43. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance of trade and other receivables from Shandong Weichai Import & Export Co., Ltd amounting to €3.2 million as at June 30, 2023 refers wholly to the sale of a yacht.

The balance of trade and other receivables from Ferretti International Holding S.p.A. amounting to €3,735 thousand as at June 30, 2023 entirely refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by Ferretti International Holding S.p.A..

The balance of trade and other payables to HPE Srl amounting to €50 thousand as at June 30, 2023 refers wholly to the first installment in 2023, based on the agreement entered into on January 1, 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The balance of trade and other payables to Ferrari S.p.A. amounting to €564 thousand as at June 30, 2023 refers primarily to sponsoring the "Riva" brand on the Ferrari helmets and the race cars.

The balance of trade and other payables to other related parties amounting to €353 thousand as at June 30, 2023 mostly refers to the costs incurred by the Company for legal services amounting to €18 thousand and other services provided by related parties under arm's length conditions.

A breakdown of the Group's transactions with related parties for the period of six-month period ended June 30, 2023 and the correspondent period of prior year is set out below:

	Net revenue	Other revenue	Costs for the use of raw materials, services, rentals and leases
Fellow subsidiaries:			
Hydraulics Drive Technology			(54)
Ferretti International Holding S.p.A.		2,844	—
Other related companies:			
HPE S.r.l.			(100)
Ferrari S.p.A.			(1,035)
Other related parties	41		(586)
Total related parties transactions as at June 30, 2023 (unaudited)	41	2,844	(1,774)

Notes to the Interim Condensed Consolidated Financial Statements

43. RELATED PARTY TRANSACTIONS (CONTINUED)

	Net revenue	Other revenue	Costs for the use of raw materials, services, rentals and leases
Fellow subsidiaries:			
Ferretti International Holding S.p.A.			—
Company's Directors			
Other related companies:			
HPE S.r.l.			(100)
WM S.A.M. (former Wally S.A.M.)			(465)
Ferrari S.p.A.			(568)
Other related parties	763		(457)
Total related parties transactions as at June 30, 2022 (unaudited)	763	—	(1,590)

The costs with regard to Hydraulics Drive Technology amounting to €54 thousand as at June 30, 2023 refer to the costs incurred by the Company for technical consulting services.

The revenue with regard to Ferretti International Holding S.p.A. amounting to €2,844 thousand as at June 30, 2023 entirely refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by Ferretti International Holding S.p.A..

The costs with regard to HPE S.r.l. amounting to €100 thousand for the first half 2023 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The costs with regard to Ferrari S.p.A. amounting to €1,035 thousand for the first half 2023 relate to sponsoring the "Riva" brand on the Ferrari helmets and race cars.

The costs to other related parties amounting to €586 thousand as at June 30, 2023 mostly refer to the costs incurred by the Company for legal services and other consulting services, tied to the development of new boat and the Wally trademark, provided by related parties under arm's length conditions.

In addition, it is reported that during the period the Company incurred costs amounting to €355 thousand, which relate to engineering costs for the development of the Ancona shipyard that have been considered to be accessory costs to the plant construction and hence are shown in this item.

In application of IFRS 16, costs paid to three companies considered related parties, relating to the rent for offices and production facilities, have not been considered.

44. CONTINGENT LIABILITIES

The Group's management believes there are no significant risk tied to the Group's core business that might give rise to liabilities not reflected in the financial statements.

45. COMMITMENTS

As at June 30, 2023 no commitment was reported (December 31, 2022: Nil).

46. SIGNIFICANT EVENTS AFTER JUNE 30, 2023

On July 25, 2023, it has been communicated the partial exercise of approximately 2.8% of the over-allotment option granted by FIH. The purchase price of the Shares on Euronext Milan is €3 per Share (equivalent to the offer price established in connection with the Offering) for an aggregate consideration of €732,873. Payment of the aggregate consideration has been settled on July 27, 2023.

There was no other event that had a significant impact on the Group's operation, financial and trading prospects since the end of the Reporting Period, and up to the date of these Unaudited Interim Condensed Consolidated Financial Statements which the Board is aware of.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The Unaudited Interim Condensed Consolidated Financial Statements were approved and authorized for issue by the Board on August 2, 2023.

STATEMENT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2023 PURSUANT TO ART. 154-BIS, PARAGRAPH 5, OF LEGISLATIVE DECREE NO. 58/98 AS AMENDED AND SUPPLEMENTED

- 1) The undersigned Alberto Galassi as Chief Executive Officer and Marco Zammarchi as the Executive responsible for the corporate financial documents for Ferretti S.p.A., certify, in accordance with Article 154-bis, paragraphs 3 and 4 of Legislative Decree n.58 dated February 24, 1998:
 - a) the appropriateness of the financial statements with regard to the nature of the business and
 - b) the effective application of administrative and accounting procedures in preparing the interim condensed consolidated financial statements as at June 30, 2023.
- 2) In this respect it is noted that no significant matters arose.
- 3) It is also certified that:
 - a) The interim condensed consolidated financial statements:
 - i) were prepared in accordance with International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
 - ii) correspond to the entries in the books and accounting records;
 - iii) were prepared in accordance with Article 154-ter of the aforesaid Legislative Decree 58/98 and subsequent amendments and integrations and they provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.
 - b) The directors' management discussion and analysis provides a reliable analysis of the significant events taking place in the first half year of the year 2023, together with an outlook and future plan.

This statement is also made pursuant to and for the purposes of Art. 154-bis, paragraph 2, of Legislative Decree 58 of February 24, 1998.

Milan, August 2, 2023

Chief Executive Officer

Alberto Galassi

*Executive responsible for the
corporate financial documents*

Marco Zammarchi

“AMAS”	North America, Central America and South America
“APAC”	Asia-Pacific
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Borsa Italiana”	Borsa Italiana S.p.A., a joint-stock company (società per azioni) incorporated under the laws of Italy, with registered office at Piazza degli Affari 6, Milan, Italy, which is, inter alia, the market operator of Euronext Milan
“By-laws”	the by-laws of the Company as amended, supplemented or restated from time to time
“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 dually listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 9638) and the Euronext Milan (EXM: YACHT)
“CONSOB”	Italian authority for the supervision of financial markets (<i>Commissione Nazionale per le Società e la Borsa</i>), with its registered office in Rome, at Via Giovanni Battista Martini 3, Italy
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules and, with respect to the Company, refers to any or all of SHIG, Weichai Group, Weichai Holding (HK) and FIH
“COVID-19”	the Coronavirus Disease 2019
“Director(s)”	the director(s) of our Company
“Dual Listing”	the listing of the Shares on the Hong Kong Stock Exchange and Euronext Milan
“EMEA”	Europe, Middle East and Africa
“ESG”	environmental, social and governance
“Euro”, “EUR” 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
“Euronext Milan”	the Euronext Milan, organized and managed by Borsa Italiana

Definitions

“Executive Director(s)”	the executive director(s) of Company
“EXM Listing”	the listing of the Shares on the Euronext Milan managed and organized by Borsa italiana
“FIH”	Ferretti International Holding S.p.A., a joint-stock company (società per azioni) incorporated and organized under the laws of Italy and one of the Controlling Shareholders
“FSD”	Ferretti Security Division business, a division of the Company that designs, develops and manufactures coastal patrol vessels
“Group” or “Ferretti Group”	the Company and its subsidiaries
“HKD” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Corporate Governance Code(s)”	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“Hong Kong Global Offering”	the public offering of the Shares as defined and described in the Hong Kong Prospectus
“Hong Kong Listing”	the listing of the Shares on the Main Board
“Hong Kong Listing Date”	March 31, 2022, the date on which the Shares are listed and dealings in the Shares first commence on the Main Board
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, modified or supplemented from time to time
“Hong Kong Prospectus”	the prospectus of the Company dated March 22, 2022 in relation to the Hong Kong Global Offering and the Hong Kong Listing
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Italian Consolidated Financial Act”	Italian Legislative Decree no. 58 of February 24, 1998 as subsequently amended and supplemented
“Italian Corporate Governance Code”	Italian corporate governance code enacted by the Corporate Governance Committee (Comitato di Corporate Governance) on January 2020
“Italian Prospectus”	the prospectus of the Company approved by CONSOB on June 21, 2023 in relation to the EXM Listing

“Main Board”	the Main Board of the Hong Kong 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
“Reporting Period” or “Relevant Period”	the six months ended June 30, 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong SASAC”	State-owned Assets Supervision & Administration Commission of Shandong Province
“Share(s)”	ordinary share(s) with no nominal value in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Meeting”	the annual general meeting of the Company held on May 18, 2023
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on May 25, 2022
“SHIG”	Shandong Heavy Industry Group Co., Ltd.*, a company with limited liability incorporated under the laws of the PRC and one of our Controlling Shareholders
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules, unless the context otherwise requires
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“UHNWIs” or “ultra-high net worth individuals”	persons who have a net worth with investable and liquid assets in excess of 50 million U.S. dollars
“US”	the United States of America
“USD” or “US dollar(s)”	United States dollars, the lawful currency of the United States
“VHNWIs” or “very-high net worth individuals”	persons who have a net worth with investable and liquid assets of five million to 50 million U.S. dollars
“Weichai Group”	Weichai Holding Group Co., Ltd.*, a company with limited liability incorporated under the laws of the PRC and one of our Controlling Shareholders

Definitions

“Weichai Holding (HK)” Weichai Holding Group Hongkong Investment Co., Limited, a company incorporated under the laws of Hong Kong and one of our Controlling Shareholders

“%” per cent

The English names of PRC nationals, enterprises, departments, facilities, certificates, regulations, titles and the like marked with “” are translations of their Chinese names and are included in this interim report for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name will prevail.*