FERRETTI S.p.A.

FERRETTIGROUP

SEPARATE FINANCIAL STATEMENTS 2022

FINANCIAL STATEMENTS

To the Shareholders
of Ferretti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ferretti S.p.A. (the Company), set out on pages 11 to 111 which comprise the statement of financial position as of December 31, 2022, the income statement, the comprehensive income statement, the cash flows statement, the statement of changes in equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	Audit Response
Recognition of revenues for the construction of boats	
For the year ended December 31, 2022, the company reports significant amount of revenue for the construction of boats, whose obligations are fulfilled over time. These revenue are recognized on a percentage of completion basis. The processes and methodologies for measuring such revenue are based on complex calculation algorithms and assumptions that for their nature require judgement on regards the estimate of costs planned at the budgeting stage, relating to contracts, and hence the revenue recognition. More specifically, application of the cost-to-cost method requires the prior estimate of costs throughout the life of individual projects and their updating at each reporting date. Because of the mentioned complexity that characterizes this measurement, we identified this area as a key audit matter. Relevant disclosures are included in note 3 and note 6 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among the others: • the understanding and evaluation of the methodologies used by management; • the test of the process for the determination of the percentage of completion basis; • the understanding and evaluation of the estimation methodology used by the management through inquiries with the management; • the assessment of the reasonableness of the criteria used by the management for the determination of cost-to-cost method applied; • the verification of the arithmetic correctness of the calculations performed by the management. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Key Audit Matter	Audit Response
Impairment Test	
As of December 31, 2022, the company reports intangible assets of Euro 231.6 million, mostly for trademarks that have an indefinite useful life (Euro 221.7 million). These intangible assets have been allocated to company's Cash Generating Units ("**CGUs**"), corresponding to individual company's trademarks. The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions sometimes complex, that due to their nature require judgement, particularly with reference to the forecasted future cash flows of each CGU, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows. Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the trademarks, we identified this area as a key audit matter. Relevant disclosures are included in note 3 and note 31 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among others: • assessment of the impairment process of intangible assets; • testing the CGUs identification process and the allocation of assets and liabilities to the CGUs; • assessment of the forecasted future cash flows for each CGU as well as the verification of the consistency of future cash flows related to each CGU with the business plans 2023–2027 approved by the Company's board of directors; • assessment of quality of forecasts taking into consideration the historical accuracy of the previous forecast; • assessment of reasonableness of the long-term growth rates and discount rates. Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the CGUs and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2022 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

EY S.p.A.

Marco Mignani
Recognised PIE Auditor
Milan

March 8, 2023

Building a better working world

Ferretti S.p.A.

Consolidated financial statements at December 31, 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010

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Building a better working world

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE N. 39, DATED JANUARY 27, 2010
(TRANSLATION FROM THE ORIGINAL ITALIAN TEXT)

To the Shareholders of
Ferretti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ferretti S.p.A. (the "**Company**"), which comprise the statement of financial position as of December 31, 2022, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Ferretti S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("**Collegio Sindacale**") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

REPORT ON COMPLIANCE WITH OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Ferretti S.p.A. are responsible for the preparation of the Report on Operations of Ferretti S.p.A. as of December 31, 2022, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Ferretti Group as of December 31, 2022, and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Ferretti Group as of December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 8, 2023

EY S.p.A.
Signed by: Marco Mignani, Auditor

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

Income Statement

(in thousand Euro)	*Notes*	**December 31, 2022**	December 31, 2021
Revenue		**967,753**	841,503
Commissions and other costs related to revenue		**(36,055)**	(23,771)
NET REVENUE	6	**931,698**	817,732
Change in inventories of work-in-process, semi-finished and finished goods	7	**35,302**	(31,950)
Cost capitalised	8	**30,979**	27,274
Other income	9	**14,071**	12,638
Raw materials and consumables used	10	**(489,030)**	(403,175)
Contractors costs	11	**(162,922)**	(134,267)
Costs for trade shows, events and advertising	12	**(17,984)**	(10,679)
Other service costs	13	**(93,225)**	(75,510)
Rentals and leases	14	**(9,662)**	(6,469)
Personnel costs	15	**(112,902)**	(100,897)
Other operating expenses	16	**(7,081)**	(6,349)
Provisions and impairment	17	**(35,524)**	(15,292)
Depreciation and amortisation	18	**(46,721)**	(44,323)
Share of loss of a joint venture	19	**(44)**	(24)
Financial income	20	**11,268**	4,615
Financial expenses	21	**(4,288)**	(5,813)
Foreign exchange gains and losses	22	**13,212**	(2,793)
PROFIT BEFORE TAX		**57,146**	24,718
Income tax	23	**(4,752)**	(1,185)
PROFIT FOR THE YEAR		**52,395**	23,533

Income Statement

(in thousand Euro)	*Notes*	**December 31, 2022**	December 31, 2021
PROFIT FOR THE YEAR		**52,395**	23,533
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefits plan	42	**727**	155
Income tax effect	42	**(174)**	(37)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**552**	118
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**52,947**	23,651

Statement of Financial Position

(in thousand Euro)	*Note*	**December 31, 2022**	December 31, 2021
CURRENT ASSETS			
Cash and cash equivalents	24	**293,322**	114,223
Trade and other receivables	25	**225,541**	226,252
Contract assets	26	**136,660**	137,455
Inventories	27	**176,590**	133,115
Advances on inventories	27	**38,430**	24,010
Other current assets	28	**116,752**	28,178
Income tax recoverable	25	**1,488**	906
		988,783	664,140
NON-CURRENT ASSETS			
Investments in subsidiaries	29	**17,575**	13,619
Property, plant and equipment	30	**268,279**	231,832
Intangible assets	31	**231,577**	233,801
Other non-current assets	32	**41,890**	33,891
Deferred tax assets	33	**17,299**	17,423
		576,621	530,566
TOTAL ASSETS		**1,565,404**	1,194,706
CURRENT LIABILITIES			
Bank and other borrowings	34	**5,866**	28,412
Provisions	35	**39,794**	28,403
Trade and other payables	36	**483,514**	389,136
Contract liabilities	37	**169,196**	120,557
Income tax payable	38	**1,537**	721
		699,907	567,229

Statement of Financial Position

(in thousand Euro)	*Note*	**December 31, 2022**	December 31, 2021
NON-CURRENT LIABILITIES			
Bank and other borrowings	39	**13,073**	48,330
Provisions	35	**13,049**	9,383
Non-current employee benefits	40	**6,045**	6,621
Trade and other payables	36	**984**	355
		33,150	64,690
TOTAL LIABILITIES		**733,057**	631,919
SHARE CAPITAL AND RESERVES			
Share capital	41	**338,483**	250,735
Reserves	42	**493,864**	312,052
TOTAL EQUITY		**832,347**	562,787
TOTAL LIABILITIES AND EQUITY		**1,565,404**	1,194,706

Cash Flow Statement

(in thousand Euro)	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**57,146**	24,718
Depreciation and amortisation	**46,721**	44,323
Provisions	**14,480**	(5,521)
Financial income	**(22,702)**	(4,615)
Financial expenses	**4,288**	5,813
Share of loss of a joint venture	**44**	24
Impairment of trade receivables, net	**(2,589)**	1,881
Provision against inventories, net	**(37)**	665
Decrease/(increase) in inventories	**(57,858)**	29,152
Change in contract assets and contract liabilities	**49,438**	100,738
Decrease/(increase) in trade and other receivables	**2,718**	6,481
Increase/(decrease) in trade and other payables	**90,524**	17,671
Change in other operating liabilities and assets	**(3,332)**	(8,937)
Income tax paid	**(2,309)**	0
Cash flows from operating activities (A)	**176,533**	212,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	**(73,451)**	(63,585)
Disposal of property, plant and equipment and intangible assets	**1,351**	2,582
Change in investments and loans to subsidiaries	**(76,135)**	(1,941)
Other financial investments	**0**	0
Interest received	**10,888**	4,615
Cash flows used in investing activities (B)	**(137,347)**	(58,329)

Cash Flow Statement

(in thousand Euro)	**December 31, 2022**	December 31, 2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**234,753**	0
Dividends paid	**(6,707)**	(3,510)
New bank and other borrowings	**0**	58,730
Repayment of bank and other borrowings	**(85,670)**	(107,622)
Merger of subsidiaries	**0**	188
Interest paid	**(2,463)**	(5,837)
Cash flows from/(used in) financing activities (C)	**139,913**	(58,050)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**179,099**	96,014
Cash and cash equivalents at beginning of year (E)	**114,223**	18,209
CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)	**293,322**	114,223
Cash and cash equivalents as stated in the statements of financial position	**293,322**	114,223

Statement of Changes in Equity

(in thousands Euro)	Share capital	Share premium*	Legal reserve*	Other reserves*	Total equity
At January 1, 2021	250,735	281,293	5,819	35,531	573,378
Profit for the year	—	—	—	23,533	23,533
Other comprehensive income for the year:					
Actuarial gain on defined benefits plan, net of tax	—	—	—	118	118
Total comprehensive income for the year	—	—	—	23,651	23,651
Transfer to the legal reserve	—	—	1,291	(1,291)	0
Dividends	—	—	—	(3,510)	(3,510)
Merger of subsidiaries	—	—	—	(30,732)	(30,732)
At December 31, 2021	250,735	281,293	7,110	23,649	562,787
Profit for the year	**—**	**—**	**—**	**52,395**	**52,395**
Other comprehensive income for the year:					
Actuarial gain on defined benefits plan, net of tax	**—**	**—**	**—**	**552**	**552**
Total comprehensive income for the year	**—**	**—**	**—**	**52,947**	**52,947**
Transfer to the legal reserve	**—**	**—**	**1,177**	**(1,177)**	**0**
Dividends	**—**	**—**	**—**	**(6,707)**	**(6,707)**
Issue of share capital (Notes 41–42)	**87,748**	**143,748**	**—**	**—**	**231,496**
Transaction costs (Note 42)	**—**	**—**	**—**	**(8,176)**	**(8,176)**
At December 31, 2022	**338,483**	**425,041**	**8,287**	**60,536**	**832,347**

* These reserve accounts comprise the reserves of €493,864 thousand (2021: €312,052 thousand) in the statement of financial position.

Explanatory Notes to the Financial Statements

1. CORPORATE INFORMATION

Ferretti S.p.A (the "**Company**") is a public company limited by shares 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 (collectively referred to as the "**Group**") are engaged in the design, construction and marketing of yachts and recreational boats.

2. BASIS OF PREPARATION

This Financial Statements have been prepared in accordance with the IAS and IFRS issued or revised by the IASB and approved by the European Union (the "**EU**"). The acronym "IAS/IFRS" also refers to all of the interpretations published by the International Financial Reporting Interpretations Committee ("**IFRIC**"), formerly known as the Standing Interpretations Committee ("**SIC**").

At the date of presentation of this Financial Statements, there were no differences between the IFRSs endorsed by the European Union and applicable to the Group and those issued by the IASB.

The financial statements have been prepared on the basis that the Company can operate as a going concern since its management has verified that there are no uncertainties with regard to this. They include the Statement of Financial Position, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of Changes in Equity and Notes of Ferretti S.p.A.

For the purposes of clarity and to make this document more readily understandable, all the amounts in the Financial Statements — Income Statement, Comprehensive Income Statement, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity, the accompanying Notes and the Annexes — are stated in thousands of Euro.

3. ACCOUNTING POLICIES

The following accounting standards have been consistently applied by the Company and are in line with those adopted in the previous year.

Recognition of revenue from contracts assets

The Company generates revenue by selling goods and providing services within its core business. Revenue is stated net of value-added tax, discounts and allowances.

In accordance with IFRS 15, the Company recognises revenue after identifying the contracts with its customers and the related performance obligations to be fulfilled, determining the consideration to which it believes it is entitled in exchange for the sale of the goods or the provision of the services, and assessing the manner of fulfilment of the obligations concerned (at a point in time or over time).

In accordance with IFRS 15, the Company only recognises revenue when the following requirements have been met:

— the parties to the contract have approved the contract and undertaken to perform their respective obligations;

— the rights of each of the parties in respect of the goods or services to be transferred may be identified;

— the terms of payment for the goods or services to be transferred may be identified;

— the contract has commercial substance;

— it is probable that the consideration for the goods sold or services transferred will be received.

IFRS 15 requires that revenue from contracts with customers be presented separately from other sources of revenue, unless a disclosure is provided that enables them to be separated from other revenue recognised through other comprehensive income or profit or loss. The Company has elected to recognise revenue from contracts with customers through profit or loss in a single line, with the details disclosed in the notes.

IFRS 15 defines revenues as "income arising in the course of an entity's ordinary activities" but excludes certain contracts with customers (such as lease contracts) from its scope of application.

IFRS 15 requires that entities assess all relevant facts and circumstances when they apply all steps of the model to contracts with customers. The Standard also specifies the accounting treatment for the incremental costs of obtaining a contract and costs related directly to the fulfilment of a contract. The Standard also requires that ample disclosure be provided.

3. ACCOUNTING POLICIES (CONTINUED)

Contract work revenues represent performance obligations satisfied over time. In particular, revenues are recognised on a percentage of completion basis and are defined by IFRS 15 as contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenues are recognised based on the revenue amounts accrued consistent with the stage of completion of the contract activity at the reporting date that represents the portion of control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services rewards transferred to the customer. Otherwise, revenues are recognised only to the extent of the contract costs incurred that are likely to be recovered.

The stage of completion of the contract activity is determined in accordance with the cost-to-cost method, which is based on the proportion between the contract costs incurred for work performed up to the reference date and the total estimated contract costs. Costs incurred under these contracts are recognised in the year in which they are incurred.

Assets for contract work in process are presented based on the right to the consideration accrued in relation to performance net of related liabilities, namely invoices issued as work progresses and any expected losses. This analysis is carried out contract by contract. If the differential is positive the imbalance is classified under assets in the item "Contract assets"; if, on the other hand, this differential is negative, the imbalance is classified under liabilities, in the item "Contract liabilities".

Revenues from the sale of used boats, sale of merchandising, spare parts and the provision of services are performance obligations satisfied at a point in time and revenues are recognised when the control of the asset or service is transferred to the client. The moment the control of the asset or service transfer coincides with the transfer of ownership or possession of the goods to the buyer and so generally with despatch or completion of the service.

Commissions and other costs related to revenue

Commissions, that represents the costs incurred by the Company for the intermediation activities carried out by the dealers and brokers are accounted, are accounted netting the revenues.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3. ACCOUNTING POLICIES (CONTINUED)

Government Grants (Continued)

Where the Company receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Company receives government loans granted with no or at a below-market rate of interest for the Construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Interest Income and Expense

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Income Taxes

Income Taxes comprise current tax expenses and deferred tax expenses.

The liability for current taxes is calculated using the rates in force or effectively in force on the date of the financial statements.

Deferred taxes are the taxes that the Company expects to pay or recover from temporary differences between the reported values of assets and liabilities and the tax values assigned to these assets and liabilities for the purpose of determining the taxable income. They are recognised in accordance with the balance sheet liability method. As a rule, deferred-tax liabilities are recognized for all taxable temporary differences, while deferred tax assets are recognized to the extent that the Company believes that it will probably generate sufficient taxable income in the future to utilize deductible temporary differences. Likewise, deferred-tax assets that arise from a tax loss carryforward are recognized when it is probable that the Company will generate sufficient taxable income to allow their utilization.

Deferred tax liabilities are recognized on taxable temporary differences arising from investments in subsidiaries, affiliated companies and joint ventures, except in those cases where the Company is able to control the offsetting of the temporary differences and it is probable that they will not be offset in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on the date of the financial statements and written down when it is no longer probable that the Company will generate sufficient taxable income to allow the full or partial recovery of these assets.

3. ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Deferred taxes are calculated using the tax rate that the Company expects to be in force when the corresponding asset is realized or the liability is satisfied, based on the tax rates (and the tax regulation) set forth in statutes in force or substantially in force on the date of the financial statements. Deferred taxes are recognised directly in earnings, except for those related to items that are recognized directly in equity, in which case the related deferred taxes are also recognized in equity.

The Italian company Zago S.p.A. has opted for group taxation pursuant to Articles 117 et seq. of TUIR Consolidated Law on Income Tax (Law No. 917 of 22 December 1986). This option, which has not been repealed, allows the parent company to immediately offset any tax loss incurred by its subsidiaries against the Group's overall profit.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, bank checking accounts, deposits redeemable upon demand and other highly liquid, short-term financial investments that can be readily converted into cash and are not subject to a significant risk of a change in value.

Trade and other receivables and contract assets

Trade receivables are sums due from customers in respect of the sale of products and services.

Trade receivables are recognised at their face value, less a write-down capable to recognise an estimate of doubtful account losses, following a simplified approach to calculate expected losses. Such losses are taken to the Income Statement where there is objective evidence that the receivables have become impaired.

With reference to impairment, the IAS 39 model based on the losses incurred was replaced by the ECL (Expected Credit Loss) model, in accordance with IFRS 9, and applied to trade and other receivables.

Provision for expected credit losses on trade receivables and contract assets.

3. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables and contract assets (Continued)

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 25 and Note 26 to the financial statements, respectively.

Inventories

Inventories of raw materials, auxiliary materials, supplies, semi-finished goods and work in process are valued at the lower of purchase or production cost, determined by the average weighted cost method, and the corresponding market or estimated realisable value, which takes into account both any additional future production costs and direct costs to sell.

The cost of inventories also includes incidental expenses and the pro-rata share of direct and indirect production costs that can be reasonably attributed to inventories.

Obsolete and slow-moving inventories are written down to reflect their potential utilization or sale by recognizing a special provision in the financial statements. If in a subsequent fiscal year the reasons for the write-down cease to apply, the original value is reinstated.

Financial Instruments: recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets

- ***Initial recognition and measurement***

At the time of initial recognition, financial assets are classified, depending on circumstances, based on the following measurement methods, namely amortised cost, fair value through other comprehensive income ("**OCI**") and fair value recognised in the income statement.

The classification of financial instruments at the time of initial recognition depends on the characteristics of the financial asset contractual cash flows and on the business model used by the Company for its operations. Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus the transaction costs, in the case of a financial asset not at fair value recognised in the income statement. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the price of the transaction determined according to IFRS 15.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it must generate cash flows that depend only on the principal and interest on the amount of the principal to be repaid (so-called "**solely payments of principal and interest (SPPI)**"). This measurement is indicated as an SPPI test and is carried out at instrument level. The Company's business model for managing financial assets refers to the way in which it manages its financial assets in order to generate cash flows. The business model decides whether the cash flows will derive from the collection of contractual cash flows, the sale of financial assets or both. The purchase or sale of a financial asset requiring its delivery within a period of time generally set by regulation or market practices (so-called regular way trade) is recognised on the deal date, namely the date on which the Company undertook to buy or sell the asset.

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

- ***Subsequent measurement***

For the purpose of subsequent measurement, financial assets are classified in four categories:

(1) financial assets at amortised cost (debt instruments);

(2) financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);

(3) financial assets at fair value through other comprehensive income without recycling of cumulative gains and losses upon derecognition (equity instruments);

(4) financial assets at fair value through profit or loss.

(1) Financial assets at amortised cost (debt instruments) represent the category of greatest significance for the Company. The Company measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are tested for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or becomes impaired.

The Company reports an expected credit loss for all the financial instruments represented by debt instruments not held at fair value recognised in the income statement. The ECLs are based on the difference between the contractual cash flows due under the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The expected losses are recognised in two stages. Regarding credit exposure for which there has been no significant increase in the credit risk since initial recognition, credit losses resulting from the estimate of possible default events in the next 12 months (12-month ECL) must be recognised. For credit exposure for which there has been a significant increase in credit risk since initial recognition, the expected losses relating to the residual period of the exposure, regardless of the moment when the default event is expected to occur ("**Lifetime ECL**"), must be recognised in full.

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

- ***Subsequent measurement (Continued)***

(2) Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments): for assets from debt instruments measured at fair value through OCI, interest income, changes in exchange rate differences and impairment losses, together with the reversals, are recognised in the income statement and are calculated in the same way of financial assets measured at amortised cost. The remaining changes in fair value are recognised in OCI. Upon derecognition, the cumulative change in fair value recognised in OCI is reclassified to profit or loss. The Company's debt instrument assets measured at fair value recognised in OCI include investments in listed debt instruments included in other non-current financial assets.

(3) financial assets at fair value through other comprehensive income without recycling of cumulative gains and losses upon derecognition (equity instruments): upon the initial recognition, the Company may irrevocably elect to classify its investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined for each individual instrument. Gains and losses realised on those financial assets are never reversed through the income statement. Dividends are recognised as other income in the income statement when the right to payment has been approved, except when the Company benefits from that income as the recovery of part of the cost of the financial asset, in which case such gains are recognised in OCI. Equity instruments recognised at fair value through OCI are not subject to an impairment test. The Company has chosen to irrevocably classify its unlisted equity investments in this category.

(4) financial assets at fair value through profit or loss are recognised in the statement of financial position at fair value and net changes in fair value are recognised in the statement of profit/(loss) for the year. This category includes derivative instruments and listed equity investments that the Company has not irrevocably chose to classify at fair value recognised in OCI. Dividends on listed equity investments are recognized as other income in the statement of profit/(loss) for the year when the right to payment has been approved.

The embedded derivative contained in a hybrid non-derivative contract, financial liability or main non-financial contract is separated from the main contract and accounted for as a separate derivative. Main non-financial contract, is separated from the main contract and accounted for as a separate derivative, if: its economic characteristics and associated risks are not closely related to those of the main contract; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. The embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss. A restatement only occurs if there is a change in the terms of the contract that significantly alters the otherwise expected cash flows. Significantly the otherwise expected cash flows or a reclassification of a financial asset to a category other than fair value through profit or loss".

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

- ***Subsequent measurement (Continued)***

For trade receivables and contract assets, the Company applies a simplified approach when calculating the expected losses. The Company does not, therefore, monitor changes in credit risk, but fully recognises the loss expected at each reporting date.

- ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

- ***Initial recognition and measurement***

Upon initial recognition, financial liabilities are classified among financial liabilities at fair value through profit or loss, and loans and borrowings.

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs, in the cases of loans, financing and payables.

- ***Subsequent measurement***

The valuation of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognised through profit or loss include liabilities held for trading and financial liabilities at fair value with changes recognised through profit or loss.

(b) Loans and borrowings

This is the category of greatest significance for the Company. Loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liability is extinguished, as well as through the amortisation process. Amortised cost is calculated by including the discount or premium, as well as costs and fees, which are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among net interest expense in profit or (loss). This category generally includes interest-bearing loans and borrowings.

- ***Derecognition***

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged. Where one existing financial liability is replaced by another attributable to the same borrower with substantially different conditions, or the conditions of an existing liability are substantially modified, such exchange or modification is accounted for by derecognising the original liability and recognising a new liability, with any differences between carrying amounts recognised in the Income Statement.

3. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment

Buildings and land are recognised at their purchase, production or conveyance cost, including any incidental charges, decommissioning costs and direct costs needed to make an asset ready for use. With the exception of land, these assets are depreciated on a straight-line basis, in equal annual instalments in accordance with standard depreciation rates based on the residual useful lives of the assets.

Buildings under construction for use in manufacturing, as administrative facilities or for purposes that are yet to be determined are recognized at cost, net of write-downs for impairment losses. As for all assets, the depreciation of these assets begins when they are ready for use.

Plant, machinery and equipment are recognized at cost, net of accumulated depreciation and any write-downs for impairment losses. Cost includes decommissioning costs, asset removal costs and the costs incurred for the restoration of the site where the non-current asset is located, if they meet the requirements of IAS 37.

Depreciation is taken on a straight-line basis on the cost of the assets, net of any residual value, based on the assets' estimated useful lives, by applying the following rates:

Buildings	
Buildings	3.0%–6.0%
Prefabricated structures	10%
Leasehold improvements	the shorter of the lease term and the estimated useful lives of the assets
Plant, machinery and equipment	
Manufacturing plants and automated machines	11.5%–15.0%
Manufacturing and distribution equipment	25.0%
Models and moulds	
Models and moulds	20%–33%
Other property, plant and equipment	
Office furniture and machines	12.0%
Electronic machines	40.0%
Vehicles	25.0%

3. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment (Continued)

The capitalised costs of leasehold improvements are allocated to the classes of assets to which they belong and are depreciated over the residual duration of the lease or the residual useful life of the type of asset to which the improvement is attributable, whichever is shorter.

When the individual components of a complex item of property, plant and equipment have different useful lives, they are recognized separately and depreciated according to their duration (component approach).

In accordance with this principle, the value of land is separate from that of buildings erected on it and only the buildings are depreciated.

Gains or losses on the sale or disposal of assets — which are calculated as the difference between the sales proceeds and the net carrying value of the asset — are recognised in the Income Statement for the year.

Ordinary maintenance costs are charged in full in the Income Statement. Maintenance costs that increase the value of an asset are allocated to the related asset and amortised over the remaining useful life of the asset, if they satisfy the definition of asset.

The recoverability of their value is tested in accordance with the criteria provided for by IAS 36. These criteria are explained in the paragraph entitled "Impairment of Assets".

IFRS 16 — Leases

The Company has leases for a series of activities mainly related to the lease of property, plant, machinery, motor vehicles and other equipment. The Company applied a single recognition and measurement approach for all the leases where the Company was a lessee, except for short-term leases (duration less than 12 months) and low-value leases (comprehensive value of the agreement less than €5,000).

Rights-of-use assets

The Company recognises the rights-of-use assets at the commencement date of the lease (i.e., the date on which the underlying asset is available for use). Rights-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The cost of the rights-of-use assets comprises the amount of the initial measurement of the lease liability recognised, any initial direct costs incurred, any lease payments made at or before the commencement date, less any lease incentives received. Unless the Company has the reasonable certainty to obtain ownership of the underlying asset by the end of the lease term, rights-of-use assets are depreciated on a straight-line-basis over the shorter period of the end of the estimated useful life or the end of the lease term. The rights-of-use assets are subjected to impairment.

3. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 — Leases (Continued)

Lease liabilities

At the commencement date, the Company measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. The lease payments also comprise the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as costs in the period in which the event takes place or the condition that generated the payment.

The Company uses the average interest rate on borrowings to measure the present value of the payments due for the lease. After commencement date, the carrying amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect the lease payments made. Moreover, the carrying amount of the lease liability is remeasured to reflect any lease modifications, or to reflect revised in-substance fixed lease payments.

Significant judgement for determining the lease term for contracts with an option to extend the lease

The Company determines the lease term as the period of a lease covered by contract, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.

Options to extend the lease of vehicles and housing, for employee use, have not been included when determining the lease term, since the Company has a leasing policy for motor vehicles for a period of no more than four years and so will exercise no right of renewal.

3. ACCOUNTING POLICIES (CONTINUED)

Intangible Assets Generated Internally — Research and Development Costs

Research costs are charged to the Income Statement in the period in which they are incurred.

Intangible assets generated internally, mainly in connection with the development of models and moulds and intellectual property, are recognized as assets only if the following conditions are satisfied:

- the asset is identifiable (e.g., software or new processes);
- it is likely that the asset will generate future economic benefits;
- the costs incurred to develop the asset can be measured reliably;
- there is a technical and financial capacity to complete the asset and render it available for use or sale.

These intangible assets are amortized on a straight-line basis over the length of their useful lives from three to five years.

When assets generated internally may not be recognised in the financial statements, development costs are charged to the Income Statement in the period they are incurred.

Other Intangible Assets

Consistent with the provisions of IAS 38 -Intangible Assets, other intangibles, whether purchased or produced internally, are recognised as assets when it is likely that their use will generate future economic benefits and their cost can be measured reliably.

These assets are valued at their purchase or production cost. When they have a finite useful life, they are amortized on a straight-line basis over their estimated useful lives. Intangible assets with an indefinite useful life are not amortized. They are tested for impairment annually (or more often if there is an indication that an asset may have suffered an impairment loss) to identify any decreases in value.

Trademarks with indefinite useful life are not amortized on a regular basis.

Other intangible assets are initially recognised at their acquisition cost and are amortised on a straight-line basis over their useful lives, which is estimated at five years. However, the cost of application and management software licenses is amortised over three years.

3. ACCOUNTING POLICIES (CONTINUED)

Other Intangible Assets (Continued)

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of finite or indefinite useful life is generally based on the following criteria:

— the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence and reputation;

— its expected long term profitability;

— its degree of exposure to changes in the economic environment;

— any major event within its business segment liable to compromise its future development;

— its age.

In addition, from business and legal perspective, these trademarks have no terms or can be indefinably renewed and therefore, will always belong to the Company. Having considered these criteria, in the period the Company classified its trademark as assets of indefinite useful life.

Impairment of Assets

At least at each reporting date, the Company reviews the carrying values of its property, plant and equipment and of its intangible assets to determine if there are any indications that the value of these assets has been impaired. If such indications exist, the recoverable value of the affected assets is estimated in order to determine the amount of the write-down that may be required. When the recoverable value of an individual asset cannot be estimated, the Company estimates the recoverable value of the cash-generating unit to which the individual asset has been allocated.

Intangible assets with an indefinite useful life (trademarks) are tested annually for impairment, whether there are indications that their value has been impaired or not.

The recoverable amount is the greater of an asset's fair value, net of the cost to sell, or its value in use. In determining the value in use, future estimated cash flows are discounted to their present value using an after-tax rate that reflects current market valuation of the value of money and of the specific risks that affect the asset in question.

If the recoverable value of an asset or of a cash-generating unit is estimated to be lower than its carrying amount, the latter is reduced to the asset's lower recoverable value. The corresponding write-down is immediately recognized within the Income Statement.

When the reasons that justified a write-down cease to apply, the carrying amount of the affected asset or cash-generating unit is raised to the new estimated realizable value, but not beyond the net carrying value that the asset would have had, had it not been written down. The reversal is recognized in the Income Statement.

3. ACCOUNTING POLICIES (CONTINUED)

Equity investments

Associated companies

Associated companies are companies over which the Company exercises a significant influence, but not control. As a rule, an equity interest corresponding to an interest equal to 20% to 50% of the voting rights indicates a significant influence.

Subsidiaries

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Company the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Company's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Post-employment Employee Benefits

Payments due under defined-contribution plans are charged to the Income Statement in the period during which they are due.

In the case of defined-benefit plans (which include the employee severance benefit plans of the Company), the cost of benefits provided is determined in accordance with the projected unit credit method by making actuarial valuations at the end of each year. The new standard re-organises the information disclosures which must be provided in relation to benefits granted to employees and introduces the obligation to book actuarial gains and losses in the comprehensive income statement, thereby eliminating the possibility of adopting the corridor method. Actuarial gains and losses booked in the comprehensive income statement are not subsequently booked within the Income Statement. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

3. ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised for losses or liabilities the existence of which is certain or probable, but the amount or date of occurrence of which cannot be determined at year-end. Provisions reflect the management's best estimates on the basis of the information available to them.

Provisions for risks and charges are recognized in the financial statements for statutory or contingent obligations (contractual or of a different nature) that arise from a past event and it is likely that the Company will be required to fulfil that obligation. These provisions are established based on management's best estimate of the costs needed to fulfil the obligations on the reporting date. They are discounted, when the discounting effect is material.

Use of estimates and assumptions

The preparation of financial statements and the accompanying notes in accordance with the IFRS requires management to formulate estimates and assumptions that have an impact on the revenue, costs, assets and liabilities listed on the Statement of Financial Position and on disclosures about contingent assets and liabilities at the reporting date. The estimates are based on evaluations and prior experience, as well as on assumptions made from time by time assessed based on the specific circumstances. Actual results may therefore differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately on the Income Statement. Set out below are the main balance sheet items affected by the use of accounting estimates and the circumstances involving an element of judgement by management.

Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. The carrying amount of non-current assets is assessed periodically whenever circumstances or events require a more frequent assessment. Goodwill and trademarks are assessed at least annually; these recoverability assessments are carried out in accordance with the criteria specified in IAS 36 and described in more detail in Note 31. The recoverable value of a non-current asset is based on estimates and assumptions used to determine expected future cash flows and the discounting rate applied.

Deferred taxes

Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Company has certain deferred tax assets from tax losses and not deducted interest expenses carryforward ("**DTAs**") that, in accordance with the accounting principle, have not been recognized during the Relevant Periods. The Company reassesses at each reporting date, its DTAs, both recognised and unrecognised and it recognises a previously unrecognised DTAs to the extent that it becomes probable that sufficient taxable profit will be available to enable the asset to be recovered, based on the actual profits before tax reported in each of the years/period comprising the Relevant Periods and based on the expected continuous improvements in future trading conditions and future forecasted profits. The additional DTAs that became recognizable in the Relevant Period.

3. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and assumptions (Continued)

Provisions

Provisions are based on evaluations and estimates based on historic experience and assumptions that from time to time are considered reasonable and realistic based on the specific circumstances. For further details, reference should be made to Note 35.

Revenue from contracts with customers for contract assets

With reference to revenue from contracts with customers for contract assets, the risk in question regards the incorrect estimate of costs planned at the budgeting stage, relating to contracts valued based on IFRS 15, and hence incorrect revenue recognition. More specifically, application of the cost-to-cost method requires the prior estimate of costs throughout the life of individual projects and their updating at each reporting date, using at times complex assumptions, which by their very nature imply directors making judgements. Such assumptions may be influenced by multiple factors such as, for example, the time period over several years when other projects are being developed, the high level of technology, innovation and customisation of the projects, the presence of variants and price revisions and boat performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it a complex task to estimate project completion costs and, as a result, to estimate the value of contract work in process at the reporting date.

3. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure

The Company has adopted the following revised IFRSs for the first time for the current year's financial statements.

Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Company had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. These amendments had no impact on the separate financial statements of the Company.

Reference to the Conceptual Framework — Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the separate financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

3. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the separate financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the separate financial statements of the Company as there were no modifications of the Company's financial instruments during the period

3. ACCOUNTING POLICIES (CONTINUED)

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 Company's financial statements, are disclosed below. The Company intends to adopt such standards when they enter into force and does not foresee any material impacts on its separate financial statements:

Several amendments apply for the first time in 2023, but do not have an impact on the separate financial statements of the Company:

— IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 — Comparative Information

— Amendments to IAS 1: Classification of Liabilities as Current or Non-current

— Definition of Accounting Estimates — Amendments to IAS 8

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

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

4. ACCOUNTING STATEMENTS

The Income Statement is presented in a layout that shows a breakdown of costs by nature.

As required by the revised version of IAS 1, the financial statements include a Comprehensive Income Statement, which reflects certain gains and losses previously recognised directly in equity reserves (e.g., gains or losses from actuarial results arising from the valuation of employee benefits).

The Statement of Financial Position is presented in a format that provides a breakdown between current and non-current assets and liabilities. An asset or a liability is classified as current when it meets one of the following requirements:

(a) there is an expectation that it will be realized/settled or will be sold or used during the Company's regular operating cycle;

(b) it is owned primarily for trading purposes; or

(c) the Company expects to sell it/settle it within 12 months of the closing date of the financial statements.

If all of these three conditions cannot be met, an asset or liability is classified as non-current.

The Cash Flow Statement was prepared in accordance with the indirect method, which requires that the profit before taxes be adjusted to eliminate the impact of non-cash transactions, deferrals or provisioning of previous or future operational collections and payments and revenues or costs related to cash flows stemming from investing or financing activities. Income and expenses from long-term financing transactions, and dividends paid are included among financing activities.

The Statement of Changes in Equity shows how the components of the Company's equity changed in the course of the year.

5. FINANCIAL RISK MANAGEMENT

The following qualitative information, which is being offered to provide a better understanding of the impact of financial instruments on the Company's Statement of Financial Position, Income Statement and Cash Flow Statement, is also designed to explain more clearly the Company'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

	December 31, 2022	December 31, 2021
Derivatives not designated as hedging instruments	**—**	—
Derivatives designated as hedging instruments	**—**	—
Financial assets at fair value through profit or loss:	**—**	—
Life insurance with "Bipiemme Vita S.p.A.",	**4,900**	—
Life insurance with "CNP Vita Assicurazione S.p.A."	**38,008**	
Equity instruments designated at fair value through OCI	**—**	—
Debt instruments at fair value through OCI	**—**	—
Total financial assets at fair value	**42,908**	—
Debt instruments at amortised cost:		
Trade receivables	**189,319**	196,195
Financial assets included in other receivables	**73,844**	28,178
Other current assets	**2,456**	2,723
Other non-current assets	**39,449**	30,817
Total financial assets*	**347,976**	257,913

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets (Continued)

In addition during the year ended December 31, 2022, 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 as follows:

Fixed Interest Period	Bank	Currency	Amount	Rate %	Expire Date
Two weeks	Unicredit S.p.A.	Usd	28,127	4.70%	01/10/2023
One month	BNL S.p.A.-BNP P Group	Eur	30,000	1.60%	01/27/2023
Two months	Unicredit S.p.A.	Eur	10,000	1.25%	01/04/2023
Two months	Barclays Bank Ireland PLC	Eur	20,000	1.89%	02/23/2023
Three months	BNL S.p.A.-BNP P Group	Eur	30,000	1.45%	01/27/2023
Three months	Unicredit S.p.A.	Eur	10,000	1.45%	02/06/2023
Three months	Credit Agricole CIB S.a.	Eur	40,000	1.85%	02/24/2023
Three months	Credit Agricole CIB S.a.	Eur	20,000	2.12%	03/28/2023
"Time deposit accounts " under "Cash and Cash Equivalents"			188,127		
Six months	Unicredit S.p.A.	Eur	20,000	1.95%	05/04/2023
Six months	Barclays Bank Ireland PLC	Eur	20,000	1.94%	05/03/2023
Interests			359		
"Time deposit accounts " under "Other Current Assets"			40,359		

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 28).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities

	December 31, 2022	December 31, 2021
Interest-bearing loans and borrowings		
Bank and other borrowings	**—**	58,730
Lease liabilities	**17,102**	18,012
Other	**1,837**	—
Total Interest-bearing loans and borrowings	**18,939**	76,742
Other financial liabilities		
Derivatives not designated as hedging instruments	**—**	—
Derivatives designated as hedging instruments	**—**	—
Financial liabilities at fair value through profit or loss	**—**	
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings	**—**	—
Trade and other payables	**368,744**	302,280
Total other financial liabilities	**387,683**	379,022

Fair Value Measurement

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

	December 31, 2022		December 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial Assets				
Life insurance with *"Bipiemme Vita S.p.A."*	**4,900**	**4,900**	—	—
Life insurance with *"CNP Vita Assicurazioni S.p.A."*	**38,008**	**38,008**	—	—
Other non-current assets	**39,449**	**39,449**	30,817	30,817
Total Financial Assets	**82,357**	**82,357**	30,817	30,817
Bank and other borrowings	**—**	**—**	58,730	58,730
Lease liabilities	**17,102**	**17,102**	18,012	18,012
Other	**1,837**	**1,837**	—	—
Total Financial Liabilities	**18,939**	**18,939**	76,742	76,742

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

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 Statement of Financial Position of the Company 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.

The table below lists liabilities for which fair values are disclosed

	31/12/2022				31/12/2021			
Financial statement line item	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Other current assets			**42,908**	**42,908**				
Other non-current assets		**39,449**		**39,449**		30,817		30,817
Banks and other borrowings				**—**		58,730		58,730
Lease liabilities		**17,102**		**17,102**		18,012		18,012
Other liabilities		**1,837**		**1,837**			—	

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

The Financial Other current asset under Level 3 for € 42.908 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 December 31, 2021 and January 1, 2022	—
Life insurance with *"Bipiemme Vita S.p.A."*	4,900
Life insurance with *"CNP Vita Assicurazioni S.p.A."*	37,999
Unrealised fair value changes recognised in profit or loss	9
At December 31, 2022	42,908

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 Company 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 Company's business.

In most of the transactions, the sales policies adopted by the Company 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.

5. 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 December 31, 2022 and at the end of the previous fiscal year, with a breakdown of the Company's financial payables by contractually stipulated due dates:

		Future financial flows					
	Balance at December 31, 2022	**0 to 3 months**	**4 to 9 months**	**10 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total financial flows**
Bank and other borrowings (excluding lease liabilities)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other	**(1,837)**	**(1,837)**	**0**	**0**	**0**	**0**	**(1,837)**
Lease Liabilities	**(17,102)**	**(1,229)**	**(2,423)**	**(1,189)**	**(10,701)**	**(4,283)**	**(19,825)**
Trade and other payables	**(368,744)**	**(254,209)**	**(46,698)**	**(67,837)**	**0**	**0**	**(368,744)**
Total	**(387,683)**	**(257,275)**	**(49,121)**	**(69,026)**	**(10,701)**	**(4,283)**	**(390,406)**

		Future financial flows					
	Balance at December 31, 2021	0 to 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total financial flows
Bank and other borrowings (excluding lease liabilities)	(58,730)	(2,776)	(11,526)	(11,462)	(35,301)	—	(61,065)
Lease Liabilities	(18,012)	(1,063)	(2,120)	(1,055)	(10,345)	(4,644)	(19,227)
Trade and other payables	(302,280)	(187,462)	(54,509)	(56,815)	(3,494)	—	(302,280)
Total	(379,022)	(191,301)	(68,155)	(69,332)	(49,140)	(4,644)	(382,572)

The tables above analyse 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.

5. 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 Company's business is the risk of fluctuations in exchange rates. This risk relates to the possibility of changes in 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 Company is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made in US Dollar.

To mitigate such risk, in 2021 the Company used cash flow hedging financial instruments through simple derivatives, such as currency forwards in place for expected future cash flows. During 2022 no cash flow hedging was done in view of the exchange rate trend. In any case, as of December 31, 2022 and 2021, there were no currency forwards in place.

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. 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.

5. 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 December 31, 2022 and December 31, 2021 of the Company's financial debt (assuming that Euribor is above zero, considering the zero-floor condition generally applied to the Company's main borrowings).

(in thousand Euro)

Change in 6M Euribor		**At December 31, 2022**		At December 31, 2021	
(+)	(-)	**(+)**	**(-)**	(+)	(-)
+50 BP	-50 BP	**87**	**-87**	453	-453
+100 BP	-100 BP	**174**	**-174**	906	-906
+200 BP	-200 BP	**347**	**-347**	1,813	-1,813
+300 BP	-300 BP	**521**	**-521**	2,719	-2,719

Credit Risk

The credit risk is the risk of contingent losses due to the inability of counterparties to fulfil 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 Company'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 Company believes that its credit risk is modest. The payment of advances, which are instrumental to supporting the building of boats and vessels, 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 Company's receivables and the accrued advances to be paid are monitored periodically to verify compliance with contractual payment terms.

5. 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 (December 31, 2022) are considered fully recoverable:

			Past due			
	Balance at December 31, 2022	**Not due**	**30 days**	**30-60**	**60-90**	**Beyond**
Cash and cash equivalents	**293,322**	**293,322**	**—**	**—**	**—**	**—**
Trade receivables *	**189,319**	**15,572**	**3,736**	**22,445**	**20,946**	**126,620**
Other current assets	**116,752**	**116,752**	**—**	**—**	**—**	**—**
Financial assets included in other receivables	**2,456**	**2,456**	**—**	**—**	**—**	**—**
Financial assets included in other non-current assets	**39,449**	**39,449**	**—**	**—**	**—**	**—**
Total at December 31, 2022	**641,298**	**467,551**	**3,736**	**22,445**	**20,946**	**126,620**

(*) Net of the allowance for doubtful accounts of €3,001 thousand.

For the sake of a more effective analysis, the table below shows the data for the previous year:

			Past due			
	Balance at 31 December, 2021	Not due	30 days	30-60	60-90	Beyond
Cash and cash equivalents	114,223	114,223	—	—	—	—
Trade receivables *	196,195	7,416	18,982	2,757	7,905	159,135
Other current assets	28,178	28,178	—	—	—	—
Financial assets included in other receivables	2,723	2,723	—	—	—	—
Financial assets included in other non-current assets	30,817	30,817	—	—	—	—
Total at December 31, 2021	372,136	183,357	18,982	2,757	7,905	159,135

(*) Net of the allowance for doubtful accounts of €5,454 thousand.

The change in the allowance for doubtful accounts for the year ended December 31, 2022 is shown in Note 25.

5. 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 (December 31, 2022) are considered fully recoverable:

			Past due			
	Balance at December 31, 2022	**Not due**	**30 days**	**30-60**	**60-90**	**Beyond**
%	**2%**	**0%**	**1%**	**2%**	**10%**	**2%**
Trade receivables	**192,320**	**15,572**	**3,739**	**22,455**	**21,076**	**129,478**
Provision for doubtful accounts	**3,001**	**—**	**3**	**9**	**131**	**2,858**
Total at December 31, 2022	**189,319**	**15,572**	**3,736**	**22,445**	**20,946**	**126,620**

For the sake of a more effective analysis, the table below shows the data for the previous year:

			Past due			
	Balance at December 31, 2021	Not due	30 days	30-60	60-90	Beyond
%	3%	0%	0%	0%	0%	3%
Trade receivables	201,785	7,416	18,982	2,757	7,905	164,725
Provision for doubtful accounts	5,590	0	0	0	—	5,590
Total at December 31, 2021	196,195	7,416	18,982	2,757	7,905	159,135

CAPITAL MANAGEMENT

The goals of managing the Company's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 19–22), depreciation and amortisation (Note 18), of €83,719 thousand for the year ended December 31, 2022 (2021: €73,056 thousand), in addition to maintenance of sound capital ratios in support of its business and maximising value for shareholders.

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

The Company 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 MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the Income Statement for the fiscal year ended December 31, 2022, compared with those in the Income Statement for the fiscal year ended December 31, 2021.

6. NET REVENUE

The following table provides the breakdown of the item Net Revenue for the year ended December 31, 2022, compared with the same item for the year ended December 31, 2021:

	31/12/2022	31/12/2021
Total Revenue from contracts with customers	**967,753**	841,503
Commissions and other costs related to revenue	**(36,055)**	(23,771)
Total net Revenue	**931,698**	817,732

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

	31/12/2022	31/12/2021
Composite yachts	**410,305**	444,051
Made-to-measure yachts	**399,769**	238,621
Super yachts	**95,443**	84,561
Other businesses	**26,182**	50,499
Total net Revenue	**931,698**	817,732

Revenue arising from other businesses is broken down below.

	31/12/2022	31/12/2021
FSD	**2,945**	10,676
Used boats	**9,254**	31,310
Provision of services and sales of replacement parts, merchandise and other goods	**7,484**	4,525
Wally sailboats	**6,500**	3,988
Total other businesses	**26,182**	50,499

6. NET REVENUE (CONTINUED)

On the basis of IFRS 15, the Company 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 Company 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. The 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 referred primarily to the costs incurred by the Company for the intermediation activities carried out by the dealers and brokers.

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

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

	31/12/2022	31/12/2021
EMEA	**375,864**	371,596
APAC	**78,245**	40,726
AMAS	**355,965**	270,350
Global*	**95,443**	84,561
Other businesses	**26,182**	50,499
Total net revenue	**931,698**	817,732

* 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.

6. NET REVENUE (CONTINUED)

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

	31/12/2022	31/12/2021
At a point in time	**28,782**	42,479
Over time	**902,917**	775,253
Total net revenue	**931,698**	817,732

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

	31/12/2022	31/12/2021
Revenue from contract liabilities	**116,623**	34,023

The following table shows the amount of transaction price for existing contracts outstanding at December 31, 2022 which will be converted into revenue from contracts with customers within one year or after one year.

	31/12/2022	31/12/2021
Within one year	**469,063**	409,743
After one year	**279,350**	99,595
	748,413	509,338

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

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.

7. 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.

8. COST CAPITALISED

This item, amounting to €30,979 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead and miscellaneous costs and expenses that were capitalised under the item "Models and moulds". These costs were incurred primarily for the internal production of models and moulds 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.

9. OTHER INCOME

	31/12/2022	31/12/2021
Cost over-accruals	**2,612**	1,560
Discounts from suppliers	**2,540**	3,725
Intragroup rebilling of miscellaneous costs	**2,028**	772
Rebilling of miscellaneous costs to customers and dealers	**844**	836
Rebilling of centralised services	**245**	190
Rental income	**201**	95
Damage settlements	**182**	1,519
Gains on sales of assets	**42**	14
Other	**5,376**	3,927
Total other income	**14,071**	12,638

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 "Discounts from suppliers" regards the discounts received from suppliers which co-operate with the Company, in accordance with the sales agreements entered into in the reporting period.

The item "Intracompany rebilling of miscellaneous costs" includes various kinds of specific rebillings to subsidiaries, for costs incurred on their behalf. These are primarily personnel costs for Ferretti S.p.A. employees seconded to other Group companies, chargebacks for utilities and other costs.

The item "Rebilling of centralised services" refers to the rebilling to subsidiaries of costs related to centralised services incurred for their benefit such as information technology, tax and accounting services.

9. OTHER INCOME (CONTINUED)

The item "Damage settlements" refers primarily to the proceeds of insurance payouts — relating in particular to losses that occurred and/or for which claims were filed in respect of boats under construction and/or property, plant and equipment- that were settled in the financial year or to be settled in the following months of the year as per the company insurance policies. This item also includes commercial and settlement agreements entered into by the Company during the year, and the reimbursements received by way of compensation from suppliers with whom disputes had arisen.

The item "Other" includes approximately €2,039 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

10. RAW MATERIALS AND CONSUMABLES USED

This item primarily reflects purchases of raw and ancillary materials used in production and the change for the year in the corresponding inventories.

11. 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 the boats.

12. 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.

13. OTHER SERVICE COSTS

	31/12/2022	31/12/2021
Transportation and customs clearing costs	**17,508**	13,411
Technical consulting	**14,456**	11,989
Tax, legal and administrative consulting services	**9,518**	12,100
Fees paid to members of corporate governance bodies	**7,725**	4,674
Utilities	**7,440**	3,647
Entertainment expenses	**4,310**	3,417
Insurance	**4,258**	3,099
Maintenance	**4,229**	3,801
Travel and per diem expenses	**3,317**	2,713
Recruiting and training costs	**2,623**	2,454
Costs of centralised services	**188**	428
Other	**17,655**	13,779
Total other service costs	**93,225**	75,510

13. OTHER SERVICE COSTS (CONTINUED)

The item "Technical consulting" amounting to €14,456 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 €3,087 thousand for legal advice and notaries' fees and €2,494 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €444 thousand referred to IT consulting.

In the fiscal year ended December 31, 2022, "Fees paid to members of corporate governance bodies" included €7,553 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, including the Management Incentive Plan, as well as €98 thousand in fees paid to Statutory Auditors and €75 thousand for the Supervisory Body.

With regard to the Note "Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors" see the schedule relating to the fees received by the Company's corporate bodies.

The item "Recruiting and training costs" mainly refers to the costs incurred by the Company for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training. This item also includes personnel costs relating to employees at Ferretti S.p.A. seconded from other Group Companies.

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

14. RENTALS AND LEASES

The Company recognised 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 recognised based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognised 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 recognised.

14. RENTALS AND LEASES (CONTINUED)

Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

	31/12/2022	31/12/2021
Short-term rentals and leases	1,368	1,201
Rentals and leases for low-value assets	2,091	1,606
Royalties	6,203	3,662
Total rentals and leases	9,662	6,469

15. PERSONNEL COSTS

	31/12/2022	31/12/2021
Wages and salaries	81,425	71,138
Social security contributions	26,302	25,132
Non-current employee benefits and other provisions	5,174	4,627
Total personnel costs	112,902	100,897

The five highest-paid employees during the years ended December 31, 2022 and 2021 include a director, whose details are given in Note 45, and four employees, who are not directors and whose personnel costs are as follows:

	31/12/2022	31/12/2021
Wages and salaries	11,326	3,054
Social security contributions	375	548
Non-current employee benefits and other provisions	99	73
Total personnel costs	11,800	3,675

The number of highest-paid non-director employees whose remuneration, including the special cash bonus paid under the Management Incentive Plan approved on April 28, 2022 fell into the following ranges was as follows:

	31/12/2022	31/12/2021
HK$2,500,001 – HK$3,000,000	—	—
HK$3,500,001 – HK$4,000,000	—	—
HK$5,500,001 – HK$15,500,000	4	4
Total number of employees	4	4

16. OTHER OPERATING EXPENSES

	31/12/2022	31/12/2021
Cost under-accruals	**1,148**	1,132
Reward vouchers and other benefits for employees	**1,134**	18
Taxes and fees other than income taxes	**1,126**	1,156
Memberships in trade associations	**657**	533
Advertising and promotional material	**582**	630
Settlement agreements	**539**	1,219
Re-billable costs	**508**	423
Charity initiatives	**357**	300
Losses on asset sales	**98**	405
Losses on receivables	**0**	95
Sundry operating costs	**929**	437
Total other operating expenses	**7,081**	6,349

"Cost under-accruals" referred mainly to the higher costs incurred during the financial year in excess of the provisions recognised in the financial year ended December 31, 2021 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 year ended December 31, 2022.

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

17. PROVISIONS AND IMPAIRMENT

This item is shown net of utilisations and releases to income made during the year.

	31/12/2022	31/12/2021
Allocations to the provision for product warranties	**26,097**	18,767
Provision for miscellaneous risks, net	**6,009**	(5,356)
Allocations to the provision for doubtful accounts	**3,417**	1,881
Total provisions and impairment	**35,524**	15,292

18. DEPRECIATION AND AMORTISATION

	31/12/2022	31/12/2021
Depreciation of property, plant and machinery	**38,522**	34,624
Depreciation of rights-of-use assets	**3,376**	2,891
Amortisation of intangible assets	**4,823**	6,808
Total depreciation and amortisation	**46,721**	44,323

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

19. SHARE OF LOSS OF A JOINT VENTURE

The item "Share of loss of a joint venture" amounted to €44 thousand and referred to the accounting using the equity method of Restart S.p.A. in liquidazione, a company incorporated in 2021.

On April 28, 2021, the company Restart S.p.A. was incorporated in Milan, equally owned by the Ferretti Group and PN Sviluppo s.r.l., a wholly owned subsidiary of Sanlorenzo S.p.A., in relation to the project to acquire Perini Navi S.p.A.. On December 23, 2022 the extraordinary meeting of the shareholders approved the voluntary dissolution of the company due to the termination of the purpose for which it was established and the company was renamed in Restart S.p.A. in liquidazione. The company was accounted for using the equity method.

20. FINANCIAL INCOME

	31/12/2022	31/12/2021
Income from receivables entered in fixed assets	**6,621**	2,971
Dividends distributed by subsidiaries	**2,220**	1,422
Interest income from banks	**635**	8
Interest and other financial income	**1,792**	214
Total financial income	**11,268**	4,615

"Income from receivables entered in fixed assets" refers to interest accrued on loans granted to subsidiaries.

"Dividends distributed by subsidiaries" refers to the dividends that the Shareholders' Meeting of Zago S.p.A. of 27 April 2022, when approving the Financial Statements for the year ended December 31, 2021, authorised to be distributed to Ferretti S.p.A. and payment was received on 5 August 2022.

"Interest and other financial income" mainly includes interest accrued on current account balances and interest accrued on cash pooling current account management.

21. FINANCIAL EXPENSES

	31/12/2022	31/12/2021
Interests on banks and other loans	**2,960**	4,557
Interest on lease liabilities	**111**	82
Interest on provision for severance benefits and pensions	**38**	10
Interest paid to subsidiaries	**1**	—
Other financial expenses	**1,178**	1,164
Total financial expenses	**4,288**	5,813

22. FOREIGN EXCHANGE GAINS/(LOSSES)

At December 31, 2022, the Company 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 December 31, 2022. It refers for €11,393 to exchange rate gains related to financial transactions, among which mainly the change from HK dollars to Euro of the proceeds of the listing process.

23. INCOME TAX

Taxes showed tax expense of €4,752 thousand for the year ended December 31, 2022, due to both current and deferred taxes, as illustrated below:

	31/12/2021	31/12/2021
Corporate income tax (IRES)	**(324)**	0
Income from consolidation	**0**	445
Regional tax (IRAP)	**(2,614)**	(1,851)
Total current taxes	**(2,938)**	(1,406)
Prior-year taxes	**1,300**	548
Deferred taxes	**(3,114)**	(327)
Total income tax	**(4,752)**	(1,185)

The IRES (Imposta sul reddito delle società) taxable base 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 year, although reduced due to the use of tax losses and deductible interest expenses carried forward.

The IRAP (imposta regionale sulle attività produttive) taxable base was positive, and therefore a provision was made for this tax based on the IRAP fixed rate in force in the regions in which the value of production is calculated.

23. INCOME TAX (CONTINUED)

The following table provides a reconciliation between the nominal and effective tax rate of the Company for 2022 and 2021:

	31/12/2022	31/12/2021
Theoretical taxable base*	**57,146**	24,718
IRES 24%	**(13,715)**	(5,932)
IRAP 3.90%	**(2,229)**	(964)
Total theoretical tax	**(15,944)**	(6,896)
Credit used for ACE (Allowance for Corporate Equity) of the year	**2,570**	1,715
Utilisation of tax losses	**7,873**	6,250
Other differences	**749**	(2,254)
Effective tax recognised in the income statement	**(4,752)**	(1.185)

(*) Figure referred to the profit before tax.

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the Statement of Financial Position for the fiscal year ended December 31, 2022 compared with December 31, 2021.

CURRENT ASSETS

24. CASH AND CASH EQUIVALENTS

	31/12/2022	31/12/2021
Bank and postal accounts	**105,182**	114,210
Time deposit	**188,127**	0
Cash and securities on hand	**13**	13
Total cash and cash equivalents	**293,322**	114,223

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. 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.

24. CASH AND CASH EQUIVALENTS (CONTINUED)

During the year ended December 31, 2022, 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 28).

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions.

A detailed analysis of the changes that occurred in this item is provided in the Cash Flow Statement.

25. TRADE AND OTHER RECEIVABLES

	31/12/2022	31/12/2021
Trade receivables	**189,319**	196,195
Other receivables	**36,222**	30,057
Total trade and other receivables	**225,541**	226,252

	31/12/2022	31/12/2021
Accounts receivable from customers	**11,697**	11,447
Receivables from Group Companies	**179,732**	190,338
Receivables from Controlling Company	**891**	0
Total gross trade receivables	**192,320**	201,785
(Less) Provision for doubtful accounts	**(3,001)**	(5,590)
Total trade receivables	**189,319**	196,195

"Accounts receivable from customers" at December 31, 2022 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. These are considered to be receivable within 12 months. Payment terms are agreed with customers on a case by case basis.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables from Group companies

	31/12/2022	31/12/2021
Zago S.p.A.	**1,211**	1,726
Ram S.p.A.	**196**	88
Ferretti Tech Srl	**3**	3
Fratelli Canalicchio S.p.A.	**122**	0
Il Massello Srl	**2**	0
Ma.Ri.Na. Srl	**1**	0
Ferretti Group of America Holding Company Inc	**11**	11
Ferretti Group of America LLC	**155,085**	146,031
Allied Marine Inc	**1,072**	1,083
Ferretti Group Asia Pacific Ltd	**21,849**	41,270
Ferretti Asia Pacific Zhuhai Ltd	**3**	2
Ferretti Group UK Ltd	**102**	68
Ferretti Group (Monaco) S.a.M.	**51**	55
Ferretti Gulf Marine – Sole Proprietorship LLC	**24**	1
Total trade receivables from Group companies	**179,732**	190,338

"Receivables from Group companies" derive from services and supplies delivered to subsidiaries based on market values. Receivables from Ferretti Group of America LLC and Ferretti Group Asia Pacific Ltd relate primarily to the sale of boats for sale in the American and Asian territories.

Receivables from Controlling Company

The balance of Receivables from Controlling Company amounting to €891 thousand at December 31, 2022 refers wholly rebillable costs to Ferretti International Holding S.p.A..

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Provision for doubtful accounts

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

	31/12/2022	31/12/2021
At beginning of year	**5,590**	5,454
Merger of a subsidiary	**0**	1,104
Impairment losses, net	**3,417**	1,881
Amount written off as uncollectible	**(6,006)**	(2,849)
At end of year	**3,001**	5,590

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 ageing for each specific customer. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For an analysis of the ageing of trade receivables by the due date and net of the provision for doubtful accounts, refer to Note 5, Management of financial risks.

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

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables

	31/12/2022	31/12/2021
Other tax receivables	**21,876**	15,645
Accruals, deferrals and other receivables	**14,347**	14,412
Total other receivables	**36,222**	30,057

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

	31/12/2022	31/12/2021
Receivables owed by social security institutions	**213**	388
Other receivables from Group companies	**433**	445
Commissions advances	**4,890**	4,844
Advances, prepayments and sundry receivables from suppliers	**3,480**	3,058
Others	**300**	276
Accruals and deferrals	**5,031**	5,401
Total accruals, deferrals and other receivables	**14,347**	14,412

"Receivables owed by social security institutions" at December 31, 2022 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €159 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 €2 thousand.

The item "Other receivables from Group companies" refers for €433 thousand to the receivable from the subsidiary Zago S.p.A., which accrued a tax gain for IRES purposes that the Company used, as part of the National Tax Consolidation, to offset tax losses of other companies.

The balance relating to "Advances, prepayments and sundry receivables from suppliers" at December 31, 2022 mainly refers for about €1,023 thousand to advances already paid for the main industry trade shows to be held in the first months of 2022, such as those in Dusseldorf. The balance also includes several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at December 31, 2022 the impairment loss provision for the other receivable was assessed to be minimal.

Income tax recoverable

As at December 31, 2022 Income tax recoverable includes mainly tax credits recognised under Italian incentive laws ("**Industria 4.0**") for €1,365 thousand.

26. 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 recognised using the input method according to the percentage completed.

The following table provides the breakdown arising from "Contract assets" at December 31, 2022, compared to those at December 31, 2021.

	31/12/2022	31/12/2021
Gross value of contract assets	**531,632**	499,063
Advances collected	**(394,972)**	(361,608)
Total contract assets	**136,660**	137,455

27. INVENTORIES

	31/12/2022			31/12/2021
	Gross value	**Allowance for write-downs**	Net amount	Net amount
Raw materials and components inventory	**59,985**	**(7,856)**	52,130	43,828
Work in progress and semi-finished goods	**88,146**	**—**	88,146	62,723
New boats	**30,023**	**(230)**	29,793	19,914
Used boats	**7,783**	**(1,262)**	6,521	6,650
Total inventories	**185,937**	**(9,347)**	176,590	133,115

The "Raw materials and components inventory" is adjusted by an allowance for write-downs of €7,856 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 reporting period. The carrying amount of finished boats not covered by orders was adjusted by means of an allowance for write-downs of €230 thousand in order to bring it down to the lower of the cost or estimated realisable value.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €1,262 thousand, in order to bring the purchase cost down to its estimated realisable value.

27. INVENTORIES (CONTINUED)

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

	31/12/2022	31/12/2021
Within one year	**176,132**	133,055
Beyond one year	**458**	60
Total inventories	**176,590**	133,115

Advances on inventories

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

28. OTHER CURRENT ASSETS

The item "Other current assets" is broken down as follows:

	31/12/2022	31/12/2021
Time deposit and other financial investments	**83,267**	0
Incidental borrowing costs	**641**	0
Other current assets	**1,432**	6,507
Other current assets from Group companies	**31,412**	21,671
Total Other current assets	**116,752**	28,178

During the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four 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" for a total of €40 million (see Note 5 for further details).

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 €641 thousands to the committed "Revolving Credit Facility" and "Revolving Pre-Finance Facility", not in use on December 31, 2022 but available until August 2024 (Note 34).

28. OTHER CURRENT ASSETS (CONTINUED)

A residual amount of €1,432 thousand refers to a receivable claimed by the Company from Perini Navi S.p.A., purchased from a financial institution (Banca Ifis S.p.A.). This receivable amounts to around one-third of the nominal value of the receivable. This receivable was purchased in relation to the project to acquire Perini Navi S.p.A. and will be collected in the first months of the year 2023.

The item "Other current assets from Group companies" is broken down as follows:

	31/12/2022	31/12/2021
Financial receivables		
Ferretti Group of America LLC	**1,012**	492
Ferretti Group of America Holding Company Inc	**19,350**	16,931
Zago S.p.A.	**133**	2
Ram S.p.A.	**209**	170
Fratelli Canalicchio S.p.A.	**5**	0
Il Massello Srl	**6**	0
Allied Marine Inc.	**4,259**	3,834
Ferretti Group (Monaco) S.a.M.	**89**	76
Ferretti Group UK Ltd	**16**	14
Ferretti Group Asia Pacific Ltd	**178**	152
	25,257	21,671
Receivables for treasury accounts		
Zago S.p.A.	**3,052**	0
Fratelli Canalicchio S.p.A.	**1,663**	0
Il Massello Srl	**1,440**	0
	6,155	0
Total	**31,412**	21,671

"Financial receivables" derive from the invoicing of interest income accrued on loans granted to subsidiaries as non-current receivables and interest income accrued on cash pooling account balances.

NON-CURRENT ASSETS

29. INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries at December 31, 2022 were broken down as follows:

	31/12/2022	31/12/2021
Zago S.p.A.	**9,417**	9,417
Sea Lion Srl	**3,428**	2,028
Ram S.p.A.	**2,269**	849
Ferretti Tech Srl	**30**	10
Fratelli Canalicchio S.p.A.	**100**	—
Ferretti Group of America Holding Company Inc.	**—**	—
Allied Marine Inc.	**4**	4
Ferretti Group Asia Pacific Ltd	**10**	10
Ferretti Asia Pacific Zhuhai Ltd	**120**	120
Ferretti Group (Monaco) S.a.M.	**1,100**	1,100
Ferretti Group UK Ltd	**2**	2
Ferretti Gulf Marine — Sole Proprietorship Llc	**1,096**	79
Total Equity investments	**17,575**	13,619

On 10 March 2022, the Company made a non-refundable payment with no right of restitution amounting to €1,400 thousand to Sea Lion S.r.l..

On May 25, 2022, the Shareholders' Meeting of the subsidiary RAM S.p.A. decided (i) the recapitalization of it in order to cover the losses at March 31, 2022; (ii) the transformation of it to a joint stock company with €50 thousand of share capital; and (iii) the share capital increase of addition €470 thousand. The Company made a first payment of €528 thousand and a second payment of €423 thousand. In July 2022, the Company made a third payment in account of future capital increase for €468 thousand.

During the year 2022, the Company made a payment for €20 thousand to Ferretti Tech Srl in order to increase the net equity of the subsidiary.

On September 19, 2022, the Company 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.

On December 2022, the Company made a payment for €1 million to Ferretti Gulf Marine — Sole Proprietorship Llcin order to strengthen the net equity of the subsidiary.

30. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the year ended December 31, 2022 were as follows:

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
At January 1, 2022					
Cost	169,909	42,447	31,143	276,116	519,615
Accumulated depreciation	(40,824)	(28,601)	(16,857)	(201,501)	(287,783)
Net carrying amount	129,085	13,846	14,286	74,615	231,832
At January 1, 2022, net of accumulated depreciation	129,085	13,846	14,286	74,615	231,832
Additions — owned assets	32,376	5,252	4,681	32,081	74,390
Additions — right-of-use assets	2,546	118	1,698	0	4,362
Disposals	(1,298)	(16)	(5)	(31)	(1,351)
Disposals — right-of-use assets	0	0	0	0	0
Depreciation — owned assets	(5,755)	(2,645)	(2,750)	(27,371)	(38,522)
Depreciation — right-of-use assets	(2,323)	(157)	(896)	0	(3,376)
Reclassification	245	(1,423)	1,834	289	945
At December 31, 2022, net of accumulated depreciation	154,875	14.974	18.848	79.583	268.279
At December 31, 2022					
Cost	202,786	45,649	39,336	307,306	595,077
Accumulated depreciation	(47,911)	(30,675)	(20,488)	(227,723)	(326,798)
Net carrying amount	154,875	14,973	18,848	79,583	268,279

At December 31, 2022, the net carrying amounts of land and buildings, plant, machinery and equipment, other assets included rights-of-use assets amounting to Euro 5,661 thousand, Euro 14 thousand and Euro 1,564 thousand, respectively.

30. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in this item in the year ended December 31, 2021 were as follows:

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
At 1 January 2021					
Cost	103,080	34,562	28,930	255,209	421,781
Accumulated depreciation	(46,270)	(26,630)	(13,996)	(185,222)	(272,118)
Net carrying amount	56,810	7,932	14,934	69,987	149,663
At 1 January 2021, net of accumulated depreciation	56,810	7,932	14,934	69,987	149,663
Additions by merger	59,816	2,426	1,216	—	63,458
Additions — owned assets	22,401	5,737	1,540	30,650	60,328
Additions — right of use assets	1,738	141	525	—	2,404
Disposals	(190)	(13)	(456)	(1,229)	(1,888)
Decrease in right of use assets (by merger of CRN)	(4,618)	—	—	—	(4,618)
Depreciation — owned assets	(5,282)	(2,190)	(2,359)	(24,793)	(34,624)
Depreciation — right of use assets	(1,853)	(218)	(820)	—	(2,891)
Reclassification	263	31	(294)	—	—
At 31 December 2021, net of accumulated depreciation	129,085	13,846	14,286	74,615	231,832
At 31 December 2021					
Cost	169,909	42,447	31,143	276,116	519,615
Accumulated depreciation	(40,824)	(28,601)	(16,857)	(201,501)	(287,783)
Net carrying amount	129,085	13,846	14,286	74,615	231,832

At 31 December 2021, the net carrying amounts of land and buildings, plant, machinery and equipment, other assets included rights-of-use assets amounting to Euro 5,438 thousand, Euro 53 thousand and Euro 762 thousand, respectively.

31. INTANGIBLE ASSETS

Movements in this item in the year ended December 31, 2022 were as follows:

	Trademarks	Other intangible assets	Total
Cost	**221,358**	**53,581**	**274,939**
Accumulated depreciation	**0**	**(41,138)**	**(41,138)**
Net carrying amount	**221,358**	**12,443**	**233,801**
Balance at 31 December 2021	**221,358**	**12,443**	**233,801**
Additions	**307**	**3,236**	**3,544**
Amortisation	**0**	**(4,823)**	**(4,823)**
Reclassification	**(10)**	**(935)**	**(945)**
Balance at 31 December 2022	**221,655**	**9,922**	**231,577**
Cost	**221,655**	**55,883**	**277,538**
Accumulated depreciation	**0**	**(45,961)**	**(45,961)**
Net carrying amount	**221,655**	**9,922**	**231,577**

Movements in this item in the year ended December 31, 2021 were as follows:

	Trademarks	Other intangible assets	Total
Cost	174,699	36,944	211,643
Accumulated depreciation	—	(27,263)	(27,263)
Balance at 31 December 2020	174,699	9,681	184,380
Additions	115	3,140	3,255
Increases due to merger	46,544	7,122	53,666
Amortisation	—	(6,808)	(6,808)
Disposal	—	(692)	(692)
Balance at 31 December 2021	221,358	12,443	233,801
Cost	221,358	53,581	274,939
Accumulated amortization	—	(41,138)	(41,138)
Net carrying amount	221,358	12,443	233,801

31. INTANGIBLE ASSETS (CONTINUED)

Trademarks — Indefinite useful life

A breakdown of the value of "Trademarks" at December 31, 2022 is as follows:

	31/12/2022	31/12/2021
Ferretti Yachts	**95,318**	95,318
CRN	**46,544**	46,544
Custom Line	**36,718**	36,718
Riva	**30,716**	30,716
Wally	**2,929**	2,929
Pershing	**8,609**	8,609
Easy Boat	**9**	9
Mochi	**2**	2
Costs for trademark protection and acquisition	**811**	513
Total Trademarks	**221,655**	221,358

Other intangible assets — Definite useful life

	31/12/2022	31/12/2021
Concessions	**1,508**	1,491
Intellectual property rights	**7,437**	9,544
Software	**977**	1,408
Total Other intangible assets	**9,922**	12,443

This item includes:

— "Concessions", with a net book value of €1,508 thousand and referring chiefly to 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. The docking rights will be valid until 2053. In addition, this item includes the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, amounting to €613 thousand; the right will remain valid until 2067;

— "Intellectual property rights", with a net book value of 7,437 thousand that includes the costs of the projects carried out by the Company on the IT systems of the main corporate areas in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad.

— the item referring to software, with a net book value of €977 thousand, attributable to software licences and patents.

31. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets — Definite useful life (Continued)

Impairment test on indefinite useful life intangible assets

On December 31, 2022, the Company carried out impairment tests on these assets.

Based on the process of identification of Cash Generating Units (CGUs), the value of trademarks is allocated to the individual CGUs, as they have been identified based on the trademarks produced and marketed.

The main assumptions underlying the impairment test performed to determine value in use, which are those concerning operating cash flows, discount rate and growth rate, are reviewed below:

A) the free cash flows used to determine the value in use were those derived from the management's most recent forecasts with a five year time period;

B) the impairment test was performed considering as the value in use of the CGUs, which includes their terminal value, determined in accordance with the perpetuity criterion; and

C) the main criteria used to determine the value in use are summarised in the following table, and are the same for all the CGUs:

	31/12/2022	31/12/2021
Interest rate for riskless assets	**3.00%**	0.74%
Discount rate pre-tax — WACC	**11.82%**	8.37%
Perpetuity growth rate (g-rate)	**2.00%**	2.00%

D) the Company's management adopted a discount rate in a configuration gross of tax effects that reflects current market valuations of the cost of money and the specific risk associated with each CGU. In the calculation of the terminal value, the Company uses a 2% long-term growth rate (g-rate), after having taken into account the data available and market forecasts.

The impairment test results did not indicate any need to write down the intangible and tangible assets for the Company's CGUs.

On the basis of the analyses conducted, the Company's management did not identify a reasonable possible change in key parameters that could result in the carrying amount of the CGUs exceeding its recoverable amount at the end of 2022 and 2021.

The Company will continue to monitor the performance of the individual CGUs carefully in order to verify that actual performance coincides with forecasts.

32. OTHER NON-CURRENT ASSETS

	31/12/2022	31/12/2021
Equity investments designated at fair value through income statement	**117**	116
Investment in a joint venture	**12**	31
Deposits	**582**	598
Commissions advances	**1,102**	2,726
Other assets	**39,700**	30,420
Incidental borrowing costs	**378**	0
Total other non-current assets	**41,890**	33,891

The item "Equity investments designated at fair value through income statement" includes the equity investment in Nouveau Port Golf Juan, whose net value is €114 thousand and owns commercial premises currently occupied by a restaurant.

The item "Commissions advanced" refers to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year.

The value of "Other assets" mainly refers to long-term deferrals and other receivables and loans granted to subsidiaries to finance and support operations as described in detail here below:

	31/12/2022	31/12/2021
Sea Lion Srl	**21,413**	22,604
Zago S.p.A.	**6,375**	0
Ferretti Group of America LLC	**5,638**	5,310
Ferretti Group (Monaco) S.a.M.	**799**	799
Ferretti Group UK Ltd	**165**	165
Ferretti Group Asia Pacific Ltd	**1,000**	1,000
Total	**35,390**	29,878

On March 10, 2022, the Company partially waived for €1,400 thousand the loan granted to Sea Lion Srl (see Note 29).

On September 28, 2022, the Company granted to Zago S.p.A. a loan of €6,375 thousand for the acquisition of a 85% interest in Il Massello Srl through a cash payment of €6,375 thousand, occurred on September 29, 2022.

These loans are granted with tacit renewal terms and it is the intention of the Company's management to obtain gradual repayment in relation to the cash flows produced by the subsidiaries. These loans accrue interest at Euribor-linked market rates.

33. DEFERRED TAX ASSETS

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

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2021 and 1 January 2022	10,027	2,618	1,190	9,367	1,257	61,167	529	86,155
Credited/(charged) to:								
Profit and loss	3,719	(10)	(585)	973	(142)	(4,015)	(2,854)	(2,915)
Other comprehensive income	0	0	0	0	0	0	(27)	(27)
Other reserves	0	0	0	0	0	0	3,163	3,163
At December 31, 2022	13,746	2,608	605	10,340	1,115	57,152	811	86,376

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2021 and 1 January 2022	1,315	60,659	5,549	1,209	68,732
Charged/(credited) to:					
Profit and loss	0	0	(129)	327	199
Other comprehensive income	0	0	0	146	146
At December 31, 2022	1,315	60,659	5,420	1,682	69,077

33. DEFERRED TAX ASSETS (CONTINUED)

In detail, movements for the year ended December 31, 2021 are as follows:

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2020 and 1 January 2021	10,854	2,433	1,261	8,310	1,203	42,119	184	66,364
Credited/(charged) to profit or loss	(1,346)	(197)	(332)	1,057	(151)	(560)	317	(1,212)
Merger of a subsidiary	519	382	261	—	205	19,608	28	21,003
At December 31, 2021	10,027	2,618	1,190	9,367	1,257	61,167	529	86,155

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2020 and 1 January 2021	1,026	47,680	4,876	418	54,000
Charged/(credited) to: profit or loss	(9)	(386)	(152)	(338)	(885)
other comprehensive income	—	—	—	37	37
Merger of a subsidiary	298	13,365	825	1,092	15,580
At December 31, 2021	1,315	60,659	5,549	1,209	68,732

For the purpose of their presentation in financial statements, the Company's tax assets and liabilities have been set off each other in the Statement of Financial Position. Below is an analysis of deferred tax assets:

	31/12/2022	31/12/2021
Deferred tax assets	**17,299**	17,423
Deferred tax liabilities	**—**	—
Total Deferred tax assets	**17,299**	17,423

33. DEFERRED TAX ASSETS (CONTINUED)

No deferred tax assets were recognised with regard to the following items:

	31/12/2022	31/12/2021
Tax losses and interest expense	**9,632**	16,345

The Company has tax assets from tax losses and surplus of financial interest expense (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising from €67,315 thousand as at December 31, 2022 (2021: €78,044 thousand) that are available without any time limit for offsetting against future taxable profits of the entities included in Group tax consolidation scheme in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial deduct expense that were not deducted in the past). Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

The Company has certain deferred tax assets arising from tax losses and not deducted interest expense carried forward ("**DTAs**") that, in accordance with the related accounting standard, have not been recognized in prior years.

At each reporting date, the Company reassesses its DTAs, (both recognised and unrecognised) and it recognises previously unrecognised DTAs to the extent that it is probable that sufficient taxable profit will be available to enable the asset to be recovered, based on the actual profits before tax and based on the expected continuous improvements in future prospects and future forecast profits.

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

34. BANK AND OTHER BORROWINGS

	31/12/2022			31/12/2021		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — secured		**2023**	**0**	Euribor* +1.5–2.9	2022	23,002
Due to banks — unsecured			**161**			53
Incidental borrowing costs			**0**			(1,275)
Due to banks net of incidental borrowing costs			**161**			21,780
Financial payables to Group companies			**0**			2,689
Others		**2023**	**1,676**			0
Lease liabilities	**2.0–4.7**	**2023**	**4,029**	1.7–4.7	2022	3,943
Total short-term			**5,866**			28,412

	31/12/2022			31/12/2021		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — secured	**Euribor* +2.6–3.0**	**2024**	**0**	Euribor* +2.6–2.9	2024	35,497
Incidental borrowing costs			**0**			(1,236)
Due to banks net of incidental borrowing costs			**0**			34,261
Lease liabilities	**2.0–4.7**	**2031**	**13,073**	2.0–4.7	2031	14,069
Total medium/long-term			**13,073**			48,330
Total Bank and other borrowing			**18,939**			76,742

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

34. BANK AND OTHER BORROWINGS (CONTINUED)

On 2 August 2019, the Company and former 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 amortisation schedule that calls for six half-yearly payments, starting on December 31, 2022, with maturity on 2 August 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., 2 August 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., 2 August 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 (30 June and 31 December 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 (31 December and 30 June). If this parameter is breached, draw-downs on the Revolving Pre-Finance Facility must be repaid to restore fulfilment of the parameter. Any repayments do not result in the cancellation of the facility for the part repaid.

At December 31, 2022 and December 31, 2021, 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.

34. 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 30 June 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.

Ferretti S.p.A. is "Guarantor" under the Loan Agreement, meaning that, inter alia, it guarantees, jointly and severally, to the Lenders prompt, full compliance by each borrower of all the related payment obligations for the borrower under the Loan Agreement and other financial documents. Please refer to section" Guarantees provided to third parties".

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 current financial debts include €1,676 thousand due to Banca Ifis S.p.A in consideration of a collection of receivable from Perini Navi S.p.A (Note 28).

With regard to the analysis of bank and other borrowings based on maturity, please refer to Note 5 "Financial risk management".

All borrowings are denominated in Euro.

35. PROVISIONS

The table below shows the changes that occurred in "Provisions" during the years ended December 31, 2022 and December 31, 2021:

	Provision for product warranties	Provisions for miscellaneous risks	Total
Balance at January 1, 2022	18,767	19,019	37,786
Additions	26,097	14,488	40,585
Utilisations during the year	(18,663)	(6,865)	(25,529)
Balance at December 31, 2022	26,201	26,641	52,842

35. PROVISIONS (CONTINUED)

	Provision for product warranties	Provisions for miscellaneous risks	Total
Balance at January 1, 2021	13,826	27,113	40,939
Additions	18,767	6,481	25,248
Additions arising from merger	1,332	485	1,817
Utilisations during the year	(15,158)	(15,060)	(30,218)
Balance at December 31, 2021	18,767	19,019	37,786

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 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.

	31/12/2022	31/12/2021
Current portion	**13,152**	9,384
Non-current portion	**13,049**	9,383
Total Provision for product warranties	**26,201**	18,767

Provisions for miscellaneous risks

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

	31/12/2022	31/12/2021
Legal proceedings and tax and employment law litigation	**8,663**	5,819
Dealer incentives	**8,944**	7,275
Provisions for completion of boats	**2,813**	1,512
Provisions for other risks	**6,222**	4,413
Total provisions for miscellaneous risks	**26,641**	19,019

35. PROVISIONS (CONTINUED)

Provisions for miscellaneous risks (Continued)

Provisions for miscellaneous risks are classified under current liabilities.

Provisions for "Legal proceedings and tax and employment law litigation" refer, as far as the legal part is concerned, to potential liabilities arising from the Company's core activity regarding current litigation involving actions for liability due to breach of contract in general and/or contractual liability arising from flaws in the product sold, and other actions concerning claims for compensation for damages by third parties.

The Company 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, but no hearing has been scheduled at this time; (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 legal actions and proceedings that the Company could face in the normal course of business.

In addition, 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. TRADE AND OTHER PAYABLES

	31/12/2022	31/12/2021
Trade payables	**265,765**	224,174
Trade payables to Group companies	**99,607**	74,902
Trade payables	**365,372**	299,075
Other payables	**119,125**	90,417
Total trade and other payables	**484,497**	389,492

36. TRADE AND OTHER PAYABLES (CONTINUED)

	31/12/2022	31/12/2021
Trade and other payables — current	**483,514**	389,136
Trade and other payables — non-current	**984**	355
Total trade and other payables	**484,497**	389,492

Trade payables

"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 the ageing of trade payables, based on their maturity, please refer to Note 5 "Financial risk management".

Trade payables to Group companies

"Trade payables to Group companies due within one year" were as follows:

	31/12/2022	31/12/2021
Zago S.p.A.	**5,200**	4,525
Sea Lion Srl	**1,046**	44
Ram S.p.A.	**20**	13
Fratelli Canalicchio S.p.A.	**1,992**	0
Il Massello Srl	**2,131**	0
Ma.Ri.Na. Srl	**2**	0
Ferretti Group of America LLC	**76,349**	59,129
Allied Marine Inc	**9,474**	9,474
Ferretti Group Asia Pacific Ltd	**3,314**	1,592
Ferretti Group UK Ltd	**53**	53
Ferretti Gulf Marine — Sole Proprietorship Llc	**26**	72
Total Trade payables to Group companies	**99,607**	74,902

"Trade payables to Group companies" refer to ordinary buying and selling/supply transactions settled at arm's length.

36. TRADE AND OTHER PAYABLES (CONTINUED)

Other payables

	31/12/2022	31/12/2021
Payables due to pension and social security institutions	**11,589**	11,231
Amounts payable to employees	**20,395**	15,880
Amounts payable to directors	**2,694**	1,111
Other tax payable	**2,959**	4,953
Miscellaneous payables	**3,372**	3,205
Accrued expenses	**1,423**	432
Deferred income	**75,709**	53,249
Government authorisation fees — non current	**229**	356
Deferred income — non current	**755**	0
Total other payables	**119,125**	90,417

The item "Payables due to pension and social security institutions" reflects the amounts owed to these institutions at December 31, 2022 by the Company and its employees for the December payroll and for accrued and deferred remuneration.

"Amounts payable to employees" refers to the December 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 December 31, 2022.

The item "Other tax payable" chiefly refers to taxes withheld accrued that will be paid in January 2023.

The item "Accrued expenses" consists mainly of insurance premiums and other transactions recognised on an accrual basis.

The item "Deferred income" mainly includes the sale value of boats amounting to approximately €75 million to the subsidiary Ferretti Group of America LLC invoiced during the year, in relation to which, at the end of the 2022 financial year, the criteria set out in the reference accounting standards for the recognition of revenue were not met.

36. TRADE AND OTHER PAYABLES (CONTINUED)

Other payables (Continued)

The item "Government authorisation fees — non current", totalling €229 thousand at December 31, 2022, relates mainly to prepayments of public grants received by the Company of €195 thousand authorised in favour of the former Riva S.p.A., now merged in Ferretti, and €35 thousand authorised in favour of the former subsidiary CRN S.p.A., now also merged in Ferretti. Said deferred income was classified under "Non-current liabilities" for the portion due after the following year. These grants will be recognised in the Income Statement along with the amortisation periods of the corresponding assets once the underlying Framework Agreements expire.

The Company's management believes that the carrying amount of "Total trade and other payables" is close to their fair value.

37. 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.

38. INCOME TAX PAYABLE

The item "Income tax payable" at December 31, 2022 refers to income taxes accrued that will be paid in the following year.

NON-CURRENT LIABILITIES

39. BANK AND OTHER BORROWINGS

For a description of this item, reference should be made to Note 34.

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item at December 31, 2022 is as follows:

	31/12/2022	31/12/2021
Provision for employee benefits	**5,620**	6,141
Provision for leaving indemnity	**425**	480
Total non-current employee benefits	**6,045**	6,621

a) Employee benefits

Under IAS 19, employee benefits provided in accordance with Italian laws that govern the payment of employee severance indemnities should be treated as post-employment benefits provided under a defined-benefit plan and, consequently, should be valued in accordance with the Projected Unit Credit Method. However, in view of the new provisions introduced by the 2007 Budget Law (Law No. 296 of 27 December 2006), the entities authorised to provide a technical analysis of this issue (Abi, Assirevi and the National Board of Actuaries) concluded that the severance benefits that vest from 1 January 2007 on (or on the date that the option for employees who opted to pay into supplemental pension funds starts) and are invested in supplemental pension funds or deposited in the Treasury Fund maintained by the INPS should be treated as being part of a defined-contribution plan and, as such, are no longer subject to actuarial valuation.

The 2015 Stability Law, which allows employees, on request, to receive in their payslips the accrued portion of severance pay from 1 March 2015 until 30 June 2018 (if they have at least 6 months in service) has no effect on the valuations, as the provision for accrued severance pay is not kept by the Company.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

The process of determining the Company'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 followed at December 31, 2021, involved the following steps:

— projection of vested severance indemnity benefits on the valuation date and of the benefits that will vest until the uncertain date when the employment relationship is terminated or payment of an advance on vested severance indemnity benefits;

— discounting at the valuation date of the expected cash flows that the Company will allocate to its employees in the future;

— in each valuation year, for each employee, the calculation of the annual severance pay increase was made net of the 17% substitute tax (on the annual revaluation amount of severance pay), as provided for in the 2015 Stability Law.

The following table provides the movements in the item "Provision for employee benefits" at December 31, 2022 and December 31, 2021:

	31/12/2022	31/12/2021
Present value of the initial obligation	**6,141**	4,983
Merger of a subsidiary	**0**	1,637
Interest cost	**37**	10
Actuarial gains	**(218)**	(118)
Use for indemnities paid and advances	**(340)**	(371)
Present value of the final obligation	**5,620**	6,141

At December 31, 2022, the following assumptions were made:

Demographic Assumptions

1. Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2021 (source: ISTAT);

2. yearly probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last five years and applied to all employees aged 65 or younger, equal to 3%;

3. yearly probability of requests for payment of advances on vested severance indemnity benefits, based on the experience for the population in recent four years and applied to all employees with seniority of one year or more, of 1%;

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

Demographic Assumptions (Continued)

4. the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also conservatively assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). At present, no employees have requested early retirement.

Financial Assumptions

— Annual inflation rate: 3.0% for the entire valuation period;

— annual revaluation rate of severance indemnity benefits: fixed at 1.5% for the entire valuation period plus 75% of the inflation rate;

— technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to December 31, 2022: 3.3%;

— technical discounting rate for the valuation of financial charges for the period 1 January 2022-December 31, 2022, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2021 (interest cost): 1.0%;

— technical discounting rate at December 31, 2022, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 3.3926%.

In 2022, an actuarial gain amounting to €696 thousand (before tax) was recognised under the "Other reserves" item.

The amounts recognised in the Income Statement are summarised below:

(in thousand Euro)	**31/12/2022**
Interest cost	**37**
Total	**37**

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b) 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 Company sets aside a provision for seniority bonuses. These bonuses are payable to employees who, starting on 1 September 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 Company's liability toward its employees was determined by Mr. Viola.

The actuarial valuation model is based on technical assumptions, which include the demographic and financial assumptions used to generate the computation parameters. An overview of the assumptions adopted is provided below.

At December 31, 2022, the following assumptions were made:

Demographic Assumptions

— Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2021 (source: ISTAT);

— probability of termination of employment for various reasons (resignation, dismissal), equal to 3% annually for all employees aged 65 or younger;

— the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). In this regard, it should be borne in mind that no employees have requested early retirement at the present moment.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b) Provision for leaving indemnity (Continued)

Financial Assumptions

— Technical discounting rate applied to value defined-benefit obligations and the current service cost relating to December 31, 2022: 3.3%;

— technical discounting rate for the valuation of financial charges for the period 1 January 2022–December 31, 2022, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2021 (interest cost): 1.0%;

— technical discounting rate at December 31, 2022, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 3.3926%.

The actuarial valuation performed in accordance with the method explained above shows that the provision had a value of €424 thousand at December 31, 2022, including the respective contributions.

The table below provides an analysis of the sensitivity of the parameters applied in the actuarial valuation to an increase or decrease in the technical discounting rate for measuring financial charges in relation to future employee benefits and profit before tax.

	Increase/ (decrease) of the interest rate of %	Increase/ (decrease) of Provision for employee benefits Euro thousand
December 31, 2022	**0.25** **(0.25)**	**116** **(104)**
December 31, 2021	0.25 (0.25)	126 (131)

SHARE CAPITAL AND RESERVES

Equity amounted to €832,347 thousand at December 31, 2022, as detailed below together with the main components of "Share capital and reserves".

41. SHARE CAPITAL

	31/12/2022	31/12/2021
Issued and fully paid	**338,483**	250,735

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

A summary of movements in the Company's share capital is as follows:

Ordinary shares issued and fully paid	Thousands	€000
At January 1, 2021 and December 31, 2021	250,735	250,735
Issued on March 31, 2022 for Listing	83,580	83,580
Issued on April 27, 2022 for Over-allotment option exercise	4,168	4,168
At December 31, 2022	338,483	338,483

The share capital increased from €250,735 thousand as at the end of December 2021 to €338,483 thousand as at the ended of December 31, 2022 due to the issue of n°83,580,000 shares of the company on March 31, 2022 in relation to the listing of the company on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**") and the issue of n°4,167,700 shares on April 27, 2022 due to the partial exercise of the Over-allotment Option by the Sole Global Coordinator on behalf of the International Underwriters on April 22, 2022. The total number of the shares of the company issued and fully paid at December 31, 2022 is equal to n°338,482,654 for a value of €338,482,654.00.

The new shares were issued by the Company at HK$22.88 per Share, being the Offer Price per Share under the Global Offering. The proceed of the listing were in total €231 million with stock issue costs for €8.2 million, net of fiscal effects.

42. RESERVES

The "Share premium reserve" increased from € 281,293 thousand as at the end of December 2021 to €425,041 thousand as at December 31, 2022 due to the listing process described above, for the amount not allocated to share capital.

A summary of movements in the Company's share premium reserve is as follows:

	€000
At January 1, 2021 and December 31, 2021	281,293
Issuance of share capital on March 31, 2022 for Listing	136,433
Issuance of share capital on April 27, 2022 for Over-allotment option exercise	7,315
At December 31, 2022	425,041

The "Legal reserve", set up pursuant to the Italian Civil Code, amounts to €8,287 thousand. In the fiscal year ended December 31, 2022 the reserve increased for €1,176,672.60 due to the approval by the Annual General Meeting of the Shareholders held on May 25, 2022 of the allocation of 5% of the net income of the Company, for the year ended December 31, 2021, as per Article 2430 of the Civil Code.

The item "Other reserves", at December 31, 2022, mainly includes:

— The 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 described above. In particular, the Company in 2022 incurred in €14.6 million of listing expenses categorized into underwriting-related expenses of approximately of €9.3 million and non-underwriting-related expenses of €5.3 million (fees and expenses of legal advisors and accountants). Approximately €3.2 million have been recognized as administrative and other operating expenses and the remaining approximately €11.3 million has been recognized as a deduction in equity. The reserve is stated net of tax effects of €3,164 thousand;

— The reserve for the overall profit/(loss) effect on defined-benefit plans amounting to €440 thousand at December 31, 2022 was set up in accordance with IAS 19 -Employee Benefits; during the year the amount of the reserve changed by €552 thousand, net of the tax effect, as reported in the Comprehensive Income Statement.

The remaining part is mainly referred to accumulated earnings/(losses).

42. RESERVES (CONTINUED)

Dividends

	31/12/2022	31/12/2021
Dividends	**6,707**	3,510

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

The General Shareholders' Meeting convened on May 11, 2021, authorised a dividend payout for €3,510 thousand, equal to €1.40 cents per share, made on June 14, 2021.

On February 13, 2023, the board of directors of the Company proposed dividend of €19,903 thousand (equal to €5.88 cents per share), which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

43. CASH FLOWS

Company's main non-monetary transactions

During the year ended December 31, 2022, the Company had non-cash additions to rights-of-use assets and lease liabilities of €6,355 thousand (2021: €2,404 thousand).

Changes in liabilities arising from financing activities

Bank and other borrowings *(excluding lease liabilities)*	31/12/2022	31/12/2021
At the beginning of the period	**58,730**	130,198
Changes in financing activities:		
New borrowings	**—**	58,730
Repayment	**(58,730)**	(130,198)
Total at the end of the year	**—**	58,730

43. CASH FLOWS (CONTINUED)

Changes in liabilities arising from financing activities (Continued)

Lease liabilities	**31/12/2022**	31/12/2021
At the beginning of the year	**18,012**	12,386
Changes in financing activities:		
Merge of CRN	**—**	6,620
New leases	**4,362**	2,404
Interest expenses	**111**	82
Repayment	**(5,383)**	(3,480)
Total at the end of the year	**17,102**	18,012

Total cash outflows for leasing

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

	31/12/2022	31/12/2021
Operating activities	**3,459**	2,807
Financing activities	**5,383**	3,480

44. RELATED PARTY TRANSACTIONS

Transactions with Related Parties, as defined by IAS 24, concern arrangements, not always formalised with the conclusion of standardised contracts, relating primarily to the supply of services, including advisory. These transactions form part of normal business operations and, in the Company's judgement, 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 Company.

The breakdown of the Company's balances with related parties at December 31, 2022 and December 31, 2021 is set out below:

	Trade and other receivables	Other current assets	Other non-current assets	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
Subsidiaries:				
Zago S.p.A.	1,211	3,185	6,375	(5,200)
Sea Lion Srl	0	—	21,413	(1,046)
Ram S.p.A.	196	209	—	(20)
Ferretti Tech Srl	3			
Fratelli Canalicchio S.p.A.	122	1,669	—	(1,992)
Il Massello Srl	2	1,445	—	(2,131)
Ma.Ri.Na. Srl	1	—	—	(2)
Ferretti Group of America Holding Company Inc	11	19,350	—	—
BY Winddown Inc.	0			
Ferretti Group of America LLC	155,085	1,012	5,638	(76,349)
Allied Marine Inc	1,072	4,259	—	(9,474)
Ferretti Group Asia Pacific Ltd	21,849	178	1,000	(3,314)
Ferretti Asia Pacific Zhuhai Ltd	3			
Ferretti Group UK Ltd	102	16	165	(53)
Ferretti Group (Monaco) S.a.M.	51	89	799	—
Ferretti Gulf Marine-sole Proprietorship Llc.	24	—	—	(26)
Other related parties:				
HPE Srl	0	—	—	(50)
WM S.A.M. (former Wally S.A.M.)	360	—	—	0
Ferrari S.p.A.	0	—	—	(535)
Poem Srl	—	—	—	(8)
Other related parties	28	—	—	(139)
Total related parties at December 31, 2022	184,645	31,412	35,390	(100,983)

44. RELATED PARTY TRANSACTIONS (CONTINUED)

	Trade and other receivables	Other current assets	Other non-current assets	Other current liabilities	Trade and other payables
Fellow subsidiaries:					
Weichai Power Co. Ltd	484	—	—	—	(645)
Shandong Weichai Import & Export Co. Ltd	3,150	—	—	—	—
Subsidiaries:					
Zago S.p.A.	2,171	2	—	(2,689)	(4,525)
Sea Lion Srl	—	—	22,604	—	(44)
Ram Srl	88	170	—	—	(13)
Ferretti Tech Srl	3	—	—	—	—
Ferretti Group of America Holding Company Inc	11	16,931	—	—	—
BY Winddown Inc.	—	—	—	—	—
Ferretti Group of America LLC	146,031	492	5,310	—	(59,129)
Allied Marine Inc	1,083	3,834	—	—	(9,474)
Ferretti Group Asia Pacific Ltd	41,270	152	1,000	—	(1,592)
Ferretti Asia Pacific Zhuhai Ltd	2	—	—	—	—
Ferretti Group UK Ltd	68	14	165	—	(53)
Ferretti Group (Monaco) S.a.M.	55	76	799	—	—
Ferretti Gulf Marine — Sole Proprietorship Llc.	1	—	—	—	(72)
Other related parties:					
HPE Srl	—	—	—	—	(50)
Wally S.A.M.	297	—	—	—	(25)
Ferrari S.p.A.	—	—	—	—	(5)
PEH Srl	—	—	—	—	(21)
CoEnergetica S.a.s.	—	—	—	—	(15)
Other related parties	28	—	—	—	(203)
Total related parties at December 31, 2021	194,742	21,671	29,878	(2,689)	(75,866)

44. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance of trade and other payables to Weichai Power Co. Ltd amounting to €645 thousand at December 31, 2022 refers wholly to the agreements with the parent company on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

The balance of trade and other receivables from Shandong Weichai Import & Export Co. Ltd amounting to €3.2 million at December 31, 2022 refers wholly to the sale of a yacht.

The balance of trade and other receivables from Ferretti International Holding S.p.A. amounting to €891 thousand at December 31, 2022 refers wholly rebillable costs.

The balance of trade and other payables to HPE S.r.l. amounting to €50 thousand at December 31, 2022 refers wholly to the last instalment in 2022, 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 €535 thousand at December 31, 2022 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 €139 thousand at December 31, 2022 mostly refers to the costs incurred by the Company for legal services amounting to €9 thousand and other services provided by related parties under arm's length conditions.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

A breakdown of the Company's transactions with related parties for the year ended December 31, 2022 and December 31, 2021 is set out below:

	Net Revenue	Other Revenues and Income	Costs for the use of raw materials, services, rentals and leases	Financial income (expense)
Fellow subsidiaries:				
Hydraulics Drive Technology	—	—	(23)	0
Ferretti International Holding S.p.A.	—	891	—	—
Other related parties:				
Company's Directors	1,945	—	—	—
HPE Srl	0	—	(200)	—
WM S.A.M. (former Wally S.A.M.)	—	—	(550)	—
Ferrari S.p.A.	0	—	(1,530)	—
PEH Srl	0	—	(3)	—
Poem Srl	—	—	(60)	—
Other related parties	—	10	(1,114)	—
Subsidiaries:				
Zago S.p.A.	1	387	(27,322)	169
Sea Lion S.r.l.	—	—	(2,594)	209
RAM S.p.A.	26	140	(21)	13
Fratelli Canalicchio S.p.A.	—	0	(1,769)	5
Il Massello Srl	—	—	(1,476)	6
Ma.Ri.Na. Srl	1	—	(4)	—
BY Winddown Inc	—	—	—	2,917
Allied Marine Inc	—	0	0	424
Ferretti Group of America LLC	139,435	536	(19,096)	520
Ferretti Group of America Holding Company Inc	—	—	—	2,419
Ferretti Group Asia Pacific Limited	16,051	355	(1,738)	27
Ferretti Group (Monaco) S.a.M.	0	—	(785)	13
Ferretti Group UK Limited	—	0	0	2
Ferretti Asia Pacific Zhuhai Limited	—	—	0	—
Ferretti Gulf Marine-sole Proprietorship Llc.	—	—	(188)	—
Total related parties at December 31, 2022	157,459	2,319	(58,473)	6,723

44. RELATED PARTY TRANSACTIONS (CONTINUED)

	Net Revenue	Other Revenues and Income	Costs for the use of raw materials, services, rentals and leases	Financial income (expense)
Fellow subsidiaries:				
Weichai Power Co., Ltd	—	—	(129)	—
Other related parties:				
HPE Srl	—	—	(200)	—
Wally S.A.M.	4	—	(241)	—
Ferrari S.p.A.	—	—	(5)	—
PEH Srl	—	—	(164)	—
CoEnergetica S.a.s.	—	—	(15)	—
Other related parties	—	—	(703)	—
Subsidiaries:				
Zago S.p.A.	—	312	(19,047)	2
Sea Lion S.r.l.	—	—	(752)	220
RAM Srl	3	—	(12)	—
BY Winddown Inc	—	—	—	1,262
Allied Marine Inc	—	11	(365)	187
Ferretti Group of America LLC	131,917	312	(9,623)	225
Ferretti Group of America Holding Company Inc	—	—	—	1,045
Ferretti Group Asia Pacific Limited	21,685	355	(769)	14
Ferretti Group (Monaco) S.a.M.	—	—	(720)	15
Ferretti Group UK Limited	—	12	(428)	2
Total related parties at December 31, 2021	153,609	1,002	(33,173)	2,972

The revenue with regard to Ferretti International Holding S.p.A. amounting to €891 thousand at December 31, 2022 refers wholly rebillable costs.

Revenues from Company's Directors amounting to €1.9 million for the year ended 31 December 2022 refer wholly to the sale of two pleasure craft, one through a contract entered into with a leasing company, the lessee of which is a related party of the Company and one directly to a person which is a related party.

The costs with regard to WM S.A.M. amounting to €550 thousand for 2022 relate primarily to commission for the sale of two boats.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

The costs with regard to HPE Srl amounting to €200 thousand for 2022 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 €1,530 thousand for 2022 relate to sponsoring the "Riva" brand on the Ferrari helmets and race cars.

The costs with regard to PEH Srl of €3 thousand for 2022 relate mainly to consulting services provided in identifying potential acquisition targets in the boating sector.

The costs to other related parties amounting to €1,114 thousand at December 31, 2022 mostly refer to the costs incurred by the Company for legal services and other consulting services, tied to the development of new boats 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 €534 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.

Compensation of top five paid employees of the Company

	31/12/2022	31/12/2021
Fees	**5,988**	4,075
Wages and salaries	**8,916**	3,985
Social security contributions	**1,037**	864
Employee severance indemnities and other allocations	**—**	—
Total compensation paid to key management personnel	**15,941**	8,924

45. FEES PAID TO DIRECTORS, STATUTORY AUDITORS, MEMBERS OF THE SUPERVISORY BODY AND INDEPENDENT AUDITORS

The remuneration paid to the Company's Directors is provided below (in thousand Euro):

	31/12/2022	31/12/2021
Fees	**7,658**	4,313
Social security contributions	**35**	36
Total fees and compensation	**7,693**	4,349

45. FEES PAID TO DIRECTORS, STATUTORY AUDITORS, MEMBERS OF THE SUPERVISORY BODY AND INDEPENDENT AUDITORS (CONTINUED)

The detail is as follow:

2022

Name and surname	Post held	Fees and compensation for the post held	Social security contributions	Total
Tan Xuguang *	Chairman of the Board of Directors	—	—	—
Alberto Galassi **	Director and Chief Executive Officer	**7,364**	—	**7,364**
Piero Ferrari	Vice Chairman of the Board of Directors	**53**	—	**53**
Xu Xinyu	Director	**64**	**35**	**99**
Li Xinghao	Director	**43**	—	**43**
Hua Fengmao	Director	**43**	—	**43**
Stefano Domenicali	Director	**48**	—	**48**
Patrick Sun	Director	**43**	—	**43**
		7,658	**35**	**7,693**

2021

Name and surname	Post held	Fees and compensation for the post held	Social security contributions	Total
Tan Xuguang *	Chairman of the Board of Directors	—	—	—
Alberto Galassi **	Director and Chief Executive Officer	4,075	—	4,075
Piero Ferrari	Vice Chairman of the Board of Directors	53	—	53
Xu Xinyu	Director	57	36	93
Li Xinghao	Director	43	—	43
Li Shaofeng	Director	33	—	33
Wu Guogang	Director	9	—	9
Stefano Domenicali	Director	—	—	—
Lalonde Daniel	Director	43	—	43
		4,313	36	4,313

* In the years ended December 31, 2022 and 2021, Chairman Tan Xuguang waived the fees and compensation to which he is entitled for his role.

** Alberto Galassi is an Executive Director and the Chief Executive Officer of the Company.

45. FEES PAID TO DIRECTORS, STATUTORY AUDITORS, MEMBERS OF THE SUPERVISORY BODY AND INDEPENDENT AUDITORS (CONTINUED)

The remuneration paid to Ferretti S.p.A.'s Statutory Auditors and members of the Supervisory Body for the years ended December 31, 2022 and 2021 are shown in the table below (in thousand Euro):

2022

Post held	Fees and compensation for the post held	Social security contributions	Total
Board of Statutory Auditors	**95**	**3**	**98**
Supervisory Body	**72**	**3**	**75**
Total	**167**	**6**	**173**

2021

Post held	Fees and compensation for the post held	Social security contributions	Total
Board of Statutory Auditors	95	3	98
Supervisory Body	72	3	75
Total	167	6	173

The fees, including all related expenses paid to the independent auditors in relation to the auditing of the Financial Statements for the years ended December 31, 2022 and 2021 are shown below (in thousand Euro):

45. FEES PAID TO DIRECTORS, STATUTORY AUDITORS, MEMBERS OF THE SUPERVISORY BODY AND INDEPENDENT AUDITORS (CONTINUED)

2022

Company	Post held	Fees and compensation for the post held
EY S.p.A.	Fees for the auditing of accounts	**258**
EY S.p.A.	Fees for other services	**698**
EY Advisory S.p.A.	Fees for other services	**167**
Ernst & Young	Fees for other services	**938**
Studio Legale Tributario	Fees for other services	**40**
Total		**2,101**

2021

Company	Post held	Fees and compensation for the post held
EY S.p.A.	Fees for the auditing of accounts	207
EY S.p.A.	Fees for other services	732
Ernst & Young Hong Kong	Fees for other services	321
Total		1,260

46. CONTINGENT LIABILITIES

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

47. MORTGAGES ON PROPERTIES

As at December 31, 2022, the Company's bank loans were secured by mortgages on properties of € 94,224 thousand (December 31, 2021: €85,486 thousand).

48. COMMITMENTS

As at December 31, 2022 no commitments was reported (December 31, 2021: Nil).

49. GUARANTEES PROVIDED TO THIRD PARTIES

For purposes of comprehensive disclosure, the following paragraphs provide a detail the guarantees provided and the commitments undertaken by the Company at December 31, 2022.

The following types of guarantees were issued to secure payables and other obligations:

- a surety policy issued by Atradius for the benefit of the Marche Revenue Agency in the amount of €2,274 thousand and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28 thousand and €77 thousand, respectively, in order to avoid the administrative block against the 2013 VAT refund;

- a surety policy for a total amount of €3,482 thousand issued by Liberty Mutual Insurance Europe SE for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2021;

- a surety policy for a total amount of €3,018 thousand issued by Liberty Mutual Insurance Europe SE for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2020;

- a surety policy for a total amount of €1,471 thousand issued by Liberty Mutual Insurance Europe SE for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2019;

- a surety policy of €3,222 thousand received from Liberty Mutual Insurance Europe SE for the benefit of the Ancona Revenue Agency as a guarantee for offsetting the VAT credit for 2019;

- a surety policy for a total amount of €752 thousand issued by Elba Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the VAT offsetting for 2019;

- an insurance policy for €25 thousand issued by Vittoria Assicurazioni for the benefit of the Sarnico municipal administration in connection with urban development projects;

- an insurance policy issued by Reale Mutua Assicurazioni for the Iseo, Endine and Moro Lake Authority for concession charges of €53 thousand;

- a surety policy for a total amount of €851 thousand issued by Elba Assicurazioni as a guarantee for contractual obligations associated with the supply of several patrol boats to the Carabinieri Corps;

- a surety policy for a total amount of €91 thousand, issued by Coface, as a guarantee for the offsetting landscaping works on public green space on Via San Bartolomeo in La Spezia;

- guarantees totalling €1.2 million issued by various banks in favour of certain suppliers, following negotiated supply conditions;

- guarantees totalling €168.2 million issued by various banks in favour of customers for the construction of several boats;

49. GUARANTEES PROVIDED TO THIRD PARTIES (CONTINUED)

- a bank guarantee for €250 thousand issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;

- a bank guarantee issued in relation to the process awarding the Wally brand.

- a surety policy of €30 thousand received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;

- a surety policy of €40 thousand received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;

- a surety policy of €103 thousand Euro, received from Liberty Mutual Assicurazioni for the benefit of the Italian Customs and Monopolies Agency of Ancona — seafront for a global guarantee (tax relief measures).

In addition, in order to grant the loan extended to the Company, the pool of banks requested the following security interests:

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. The Company has also committed to granting a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;

- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A.;

- deed of pledge on four current accounts (the minimum balance required for these accounts is €2 thousand);

In addition, with regard to the Revolving Pre-Finance Facility only, each disbursement is contingent on the signing of a deed of assignment of receivables as security, under which the receivables from the commercial agreement in respect of which the financing was applied for are assigned to the lending institutions as security.

50. SIGNIFICANT EVENTS AFTER DECEMBER 31, 2022

There was no 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 this annual report which the Board is aware of.

51. APPROVAL OF THE FINANCIAL STATEMENTS

Dear Shareholders,

We invite you to approve the Financial Statements and the Management Discussion and Analysis and Directors' Report accompanying it.

With reference to the net profit of Ferretti S.p.A. for the year ended December 31, 2022 of €52,394,735.56, we propose the following destination:

— €2,619,736.78 to legal reserve, as per Article 2.430 of the Italian Civil Code;

— €19,902,780.06 as final dividend of €0.0588 per Share;

— €8,175,926.43 to cover the reserve for transaction costs related to issued share capital; and

— €21,696,292.30 to the reserve of retained earnings.

The Company's Board of Directors approved these Financial Statements and authorized their publication on March 8, 2023.

On behalf of the Board of Directors
Alberto Galassi
Chief Executive Officer

ATTACHMENTS

This attachments contain information in addition to the disclosures provided in Notes to the Financial Statements, of which they are an integral part.

This information is contained in the following attachments:

I Statement of Changes in Financial Fixed Assets

II List of equity investments in subsidiaries (Article 2427 No. 5 of the Italian Civil Code)

ATTACHMENT I

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

(in thousand Euro)

	Opening balance				Movements for the year			Closing balance			
	Historical cost	Write-up	Write-down	Balance at 31/12/2021	Increase	Decrease	Write-down and reversals of write-down	Historical cost	Write-up	Write-down	Balance at 31/12/2022
Equity investments											
Subsidiaries	691,077	20,782	(698,240)	13,619	3,956	0	—	695,033	20,782	(698,240)	17,575
Affiliated companies	0	0	0	0	—	—	—	0	0	0	0
Joint ventures	55	—	(24)	31	0	—	(19)	55	0	(43)	12
Other companies	222	0	(106)	116	1	—	—	223	0	(106)	117
Total equity investments	691,354	20,782	(698,370)	13,766	3,957	0	(19)	695,311	20,782	(698,389)	17,704
Receivables											
From subsidiaries	139,977	0	(110,099)	29,878	6,705	(1,191)	—	145,490	0	(110.099)	35,390
From other	3,865	0	0	3,865	3,769	(1,640)	—	5,994	0	0	5,994
Incidental borrowing costs	—	—	—	0	378	—	—	378	0	0	378
Total receivables	143,842	0	(110,099)	33,743	10,852	(2,832)	0	151,862	0	(110.099)	41,762

ATTACHMENT II

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES (ARTICLE 2427 NO. 5 OF THE ITALIAN CIVIL CODE)

				Equity		Income for the year		% ownership	
Name	Registered office	Share capital (in local currency)	Investments in subsidiaries (in thousand Euro)	Total amount	Pro-quota amount	Total amount	Pro-quota amount	Direct	Indirect
Subsidiaries									
Italian companies									
— Zago S.p.A.	Scorzè (Venice)	EUR 120,000	9,417	2,690	2,690	2,523	2,523	100%	
— Sea Lion Srl	Forlì (Forlì-Cesena)	EUR 10,000	3,428	364	273	220	165	75%	
— Ram S.p.A.*	Sarnico (Bergamo)	EUR 520,000	2,269	668	534	(561)	(449)	80%	
— Ferretti Tech Srl	Cattolica (Rimini)	EUR 10,000	30	22	22	(7)	(7)	100%	
— Ma.Ri.Na. Srl**	Sarnico (Bergamo)	EUR 10,400							80%
— Fratelli Canalicchio S.p.A.	Narni (Terni)	EUR 500,000	100	864	519	(535)	(321)	60%	
— Il Massello Srl***	Sant'Ippolito (Pesaro-Urbino)	EUR 30,000							85%
— Parola Srl****	Sant'Ippolito (Pesaro-Urbino)	EUR 10,000							85%
— Smart wood Srl****	Sant'Ippolito (Pesaro-Urbino)	EUR 10,000							85%
Foreign companies									
— Allied Marine Inc.	Fort Lauderdale (USA)	USD10	4	13,065	13,065	7,448	7,448	100%	
— Ferretti Group of America Holding Company Inc.	Miami (USA)	USD10	—	(107,580)	(107,580)	(2,907)	(2,907)	100%	
— Ferretti Group of America Llc*****	Miami (USA)	USD100							100%
— BY Winddown Inc*****	Miami (USA)	USD10							100%
— Ferretti Group Asia Pacific Ltd	Hong Kong	HK$100,000	10	(18,895)	(18,895)	492	492	100%	
— Ferretti Asia Pacific Zhuhai Ltd	Hengqin (Zhuhai)	RMB1,000,000	120	94	94	(5)	(5)	100%	
— Ferretti Group (Monaco) S.a.M.	Monaco (France)	EUR 150,000	1,100	(19)	(19)	110	110	100%	
— Ferretti Group UK Ltd	United Kingdom (UK)	GBP 1	2	(230)	(230)	(42)	(42)	100%	
— Ferretti Gulf Marine — Sole Proprietorship Llc.	Arab Emirates	AED 300,000	1,096	77	77	0	0	100%	

(*) Data on September 30, 2022
(**) Controlled through Ram S.p.A.
(***) Controlled through Zago S.p.A.
(****) Controlled through Il Massello Srl
(*****) Controlled through Ferretti Group of America Holding Company Inc.

Values relating to US companies are denominated in USD.