ANNUAL FINANCIAL REPORT

2021

SANLORENZO

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SECTION ONE

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letter to shareholders

Dear Shareholders,

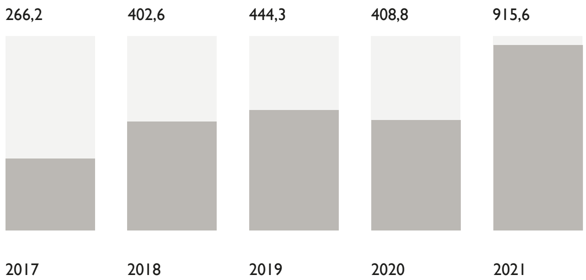
We are honoured to deliver extraordinary results, which confirm the strength of our brand and business model.
These performances are unique in the sector, made possible thanks to a strong, cohesive team capable of quickly adapting to new situations. Our products have been able to respond to a new need for freedom, a desire that finds high expression in Sanlorenzo creations, to which Customers recognise unparalleled leadership.
It is worth remembering the fundamental elements of our success: a vision intended to the creation of responsible value over time; constancy in the pursuit of objectives, always pushing ourselves beyond expectations; iconic and timeless design combined with the extreme attention to quality down to the smallest detail, also through the continuous search for materials that make our yachts unique examples of excellence.
The excellent sales performance was achieved also thanks to the sustained and constant proposal of new models; a trend that is now inherent in our way of nurturing growth that, if I firstly defined gentle, now I consider "meaningful".
We are all aware of how 2021 has proven to be a still complex year, in such uncertain global economic context. Nevertheless, we have gradually resumed participation in all boat shows, from Cannes to Miami, from Genoa to Fort Lauderdale, finally with a return to the United States, which is very significant for us. Thanks also to these events, which are fundamental in our sector, we have achieved the exceptional goal of putting orders into the pipeline at the end of the year that reach €916 million, with three new ranges already announced for 2022.
Together with product results, we pay strong attention to economic performance and sustainability. The top line, which recorded a significant growth compared to 2020, was driven by the acceleration of Europe and the Americas, and the increase in profitability, cash generation and all the main metrics have therefore confirmed Sanlorenzo as a luxury maison in the international yachting sector.
These outstanding results thus allow us to propose the distribution of a dividend that has doubled from 2020.
With confidence and commitment, we continue to look ahead: proven by the investments to support growth and to increase production capacity and the development of new models. Besides these elements, pursuing the path started in 2020, we continue to work to identify new solutions and services that can make the journey of our customers more and more exclusive and comfortable, through sustainable innovations and technologies. In this regard, I would like to mention the project that Sanlorenzo is developing together with Siemens Energy for the development of fuel cell systems for the generation of clean energy in yachts: an avant-garde experimentation destined to introduce a new paradigm in the contemporary nautical industry, which will find concrete application for the first time in the world in a 50-metre Sanlorenzo as early as 2024.
Our Group continues its commitment at various levels to protect and preserve the environment in which it operates and to support and protect the métiers, professionalism and craftsmanship that place us in first place worldwide for excellence in the manufacture of luxury yachts; a responsibility that we will carry forward with strong dedication into the future.
As I write this, the war in Ukraine has exploded in a completely unexpected way. We are watching with sorrow a tragedy in the heart of our Europe, and at the same time, we are carefully evaluating the potential impacts on our business, which sees us marginally exposed in Eastern Europe. The resilience of Sanlorenzo, amply demonstrated over the years, makes us capable of facing the most difficult challenges: in this regard, I would like to renew my thanks to all the people who work at Sanlorenzo, without whose generosity and dedication any effort would become unrealistic.
Finally, I would like to thank the Directors, all our Shareholders and Stakeholders who accompany us along the route and towards whom we feel the pride of a profound responsibility.

Mr. Massimo Perotti
Chairman and Chief Executive Officer

financial highlights[1]

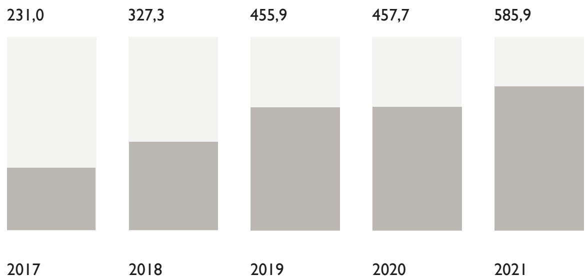
BACKLOG

(in € million)



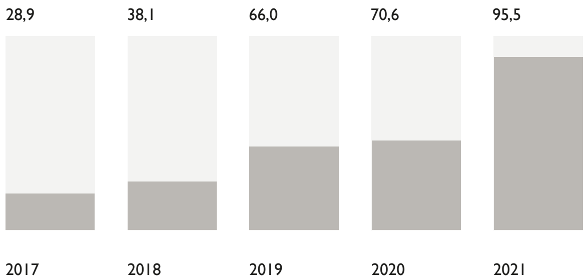
NET REVENUES NEW YACHTS

(in € million)



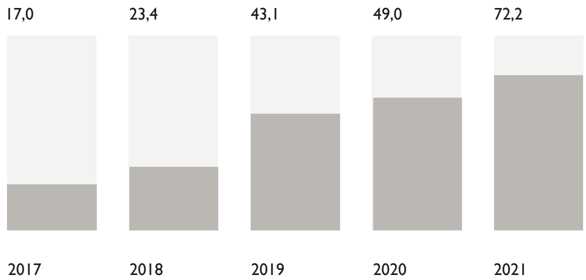
ADJUSTED EBITDA

(in € million)



EBIT

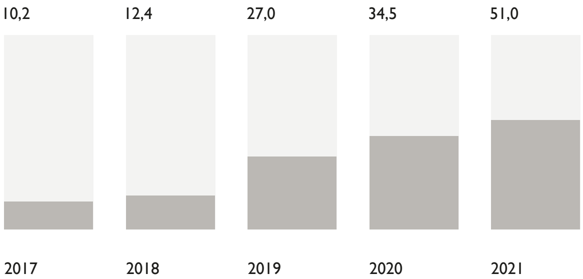
(in € million)



[1] *For a description of the methods of calculating the indicators presented, please refer to the following paragraph "Main alternative performance indicators".*

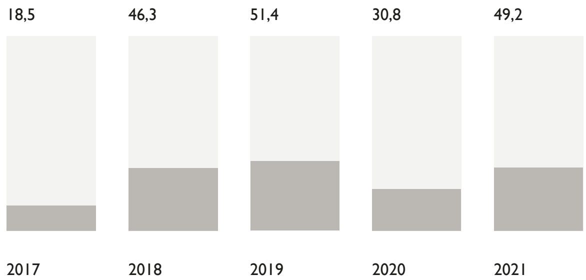
GROUP NET PROFIT

(in € million)



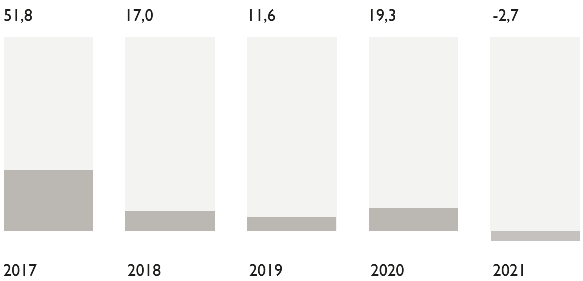
INVESTMENTS

(in € million)



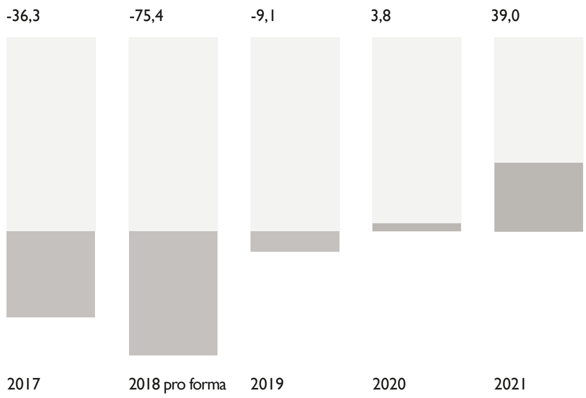
NET WORKING CAPITAL

(in € million)



NET FINANCIAL POSITION

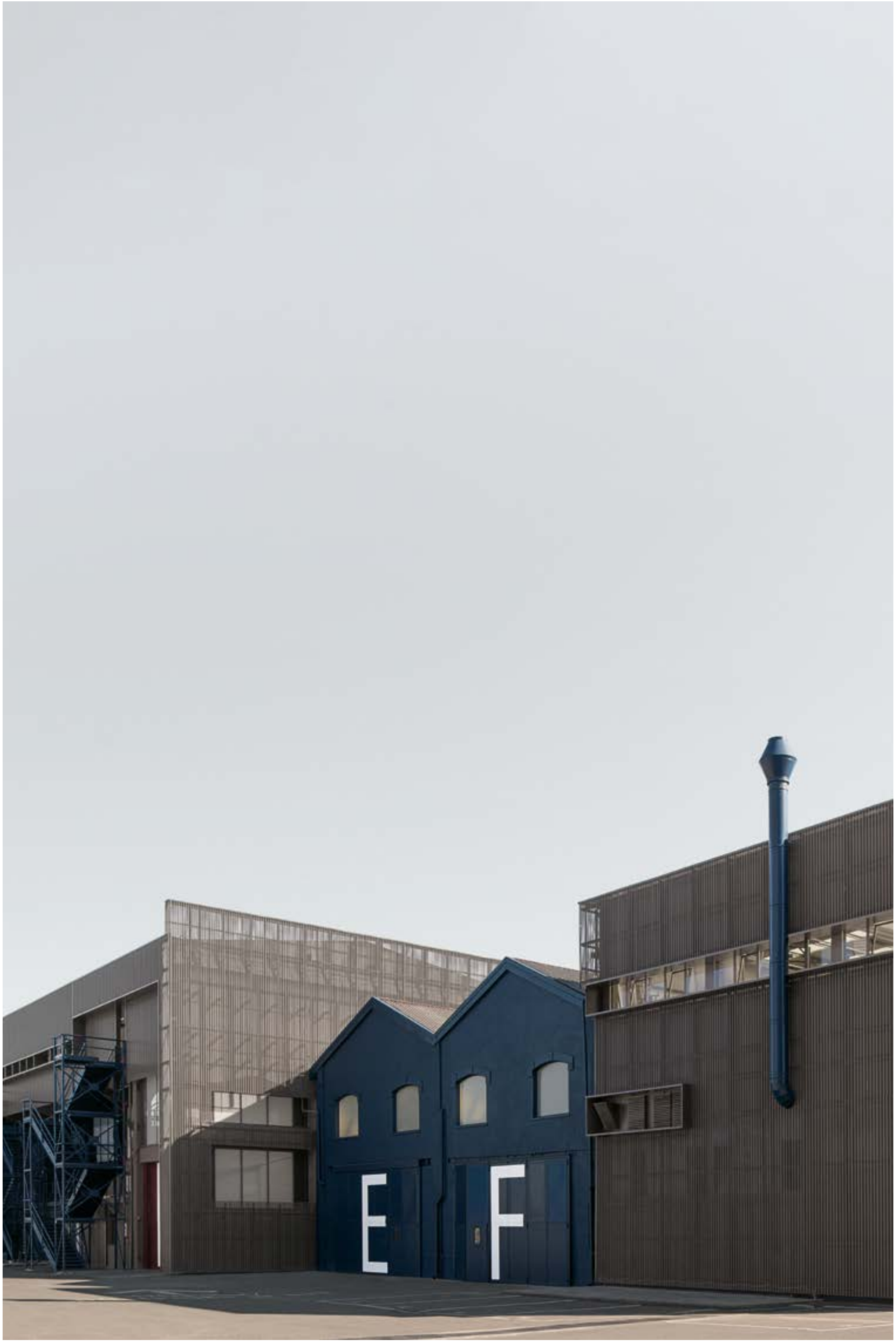
(in € million)



corporate bodies

Board of Directors [2]	Massimo Perotti	Chairman and Chief Executive Officer
	Marco Viti	Executive Director
	Carla Demaria	Executive Director
	Paolo Olivieri	Director and Deputy Chairman
	Cecilia Maria Perotti	Director
	Pietro Gussalli Beretta	Independent Director and Lead Independent Director
	Silvia Merlo	Independent Director
	Licia Mattioli	Independent Director
	Leonardo Luca Etro	Independent Director
Control, Risk and Sustainability Committee	Leonardo Luca Etro	Chairman
	Silvia Merlo	
	Cecilia Maria Perotti	
Remuneration Committee	Silvia Merlo	Chairperson
	Paolo Olivieri	
	Leonardo Luca Etro	
Nomination Committee	Pietro Gussalli Beretta	Chairman
	Licia Mattioli	
	Paolo Olivieri	
Related-Party Transactions Committee	Licia Mattioli	Chairperson
	Silvia Merlo	
	Pietro Gussalli Beretta	
Board of Statutory Auditors [3]	Andrea Caretti	Chairman
	Margherita Spaini	Standing Auditor
	Roberto Marrani	Standing Auditor
	Luca Trabattoni	Alternate Auditor
	Marina Scandurra	Alternate Auditor
Independent Auditing Firm [4]	BDO Italia S.p.A.	
Manager charged with preparing the company's financial reports	Attilio Bruzzese	

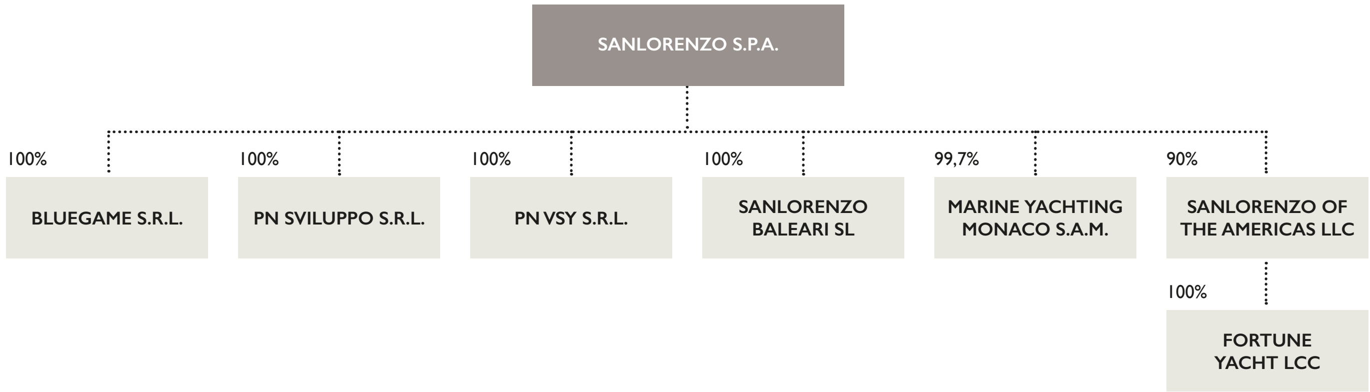
[2] *Appointed by the Ordinary Shareholders' Meeting on 24 June 2019 and supplemented on 24 October 2019; in office until the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2021.*
[3] *Appointed by the Ordinary Shareholders' Meeting on 24 October 2019; in office until the date of the Shareholders' Meeting called to approve the separate financial statements as at 31 December 2021.*
[4] *Appointed by the Ordinary Shareholders' Meeting on 23 November 2019 for nine financial years from 2019 to 2027.*


E
F

group structure

The consolidated financial statements of the Sanlorenzo Group as at 31 December 2021 include Sanlorenzo S.p.A. (Parent Company), six direct subsidiaries of Sanlorenzo S.p.A. – Bluegame S.r.l., PN Sviluppo S.r.l., PN VSY S.r.l., Marine Yachting Monaco S.A.M., Sanlorenzo Baleari SL and Sanlorenzo of the Americas LLC – and Fortune Yacht LLC, a company indirectly controlled through Sanlorenzo of the Americas LLC.

GROUP ORGANISATIONAL CHART AS AT 31 DECEMBER 2021



COMPOSITION OF THE GROUP AS AT 31 DECEMBER 2021

Company name	Registered office
Sanlorenzo S.p.A.	Ameglia (SP) – Italy
Bluegame S.r.l.	Ameglia (SP) – Italy
PN Sviluppo S.r.l.	Viareggio (LU) – Italy
PN VSY S.r.l.	Viareggio (LU) – Italy
Sanlorenzo Baleari SL	Puerto Portals, Mallorca – Spain
Marine Yachting Monaco S.A.M.	Monte-Carlo – Principality of Monaco
Sanlorenzo of the Americas LLC	Fort Lauderdale (FL) – USA
Fortune Yacht LLC	Fort Lauderdale (FL) – USA

key events in Sanlorenzo's history

1958-1972: the origins

The history of Sanlorenzo began in **1958**, when Gianfranco Cecchi and Giuliano Pecchia started the construction of pleasure boats in Limite sull'Arno, a village near Florence, in line with the tradition of shipyard operating on the banks of the Arno river since the 18th century. The name, the result of a coincidence, recalls the homonymous saint to whom the square where the two shipwrights went to formalise the documents is dedicated.
With the reduction in the flow of the Arno River in the fifties and the beginning of the trend toward larger yachts, the shipwrights moved to Viareggio, where in **1960** the company "Cantiere San Lorenzo di Cecchi Gianfranco e C. s.n.c." was established.

1973-2004: creating the legend

In **1972**, Giovanni Jannetti took over the company and opened a new shipyard in Viareggio. Under his leadership, the Sanlorenzo brand became synonymous with absolute excellence in terms of sophistication, attention to detail and recognisable external lines.
In **1985**, the SL57 model, the shipyard's first fiberglass yacht, was presented.
The following years saw the introduction of larger models in composite, until **1995**, when, with the launch of the first 30 metres SL100, Sanlorenzo entered the superyacht segment.
In **1999**, Sanlorenzo moved to Ameglia (La Spezia), inside the Montemarcello-Magra-Vara Regional Natural Park. The Shipyard is certified UNI EN ISO 14001, to guarantee the maximum respect of the environment during the production process.

2005-2018: the new phase of development

In **2005**, Massimo Perotti acquired from Giovanni Jannetti the majority share of the company, which was renamed "Sanlorenzo S.p.A.", starting a new phase of commercial development at global level. Sanlorenzo opened a second office in Viareggio and launched a second division in **2007**, starting the production of new product lines, always keeping faith with the concept of a customised yacht in interior and exterior fittings. With the launch of the first SD92, the SD line of semi-displacement hull yachts was introduced. That same year saw the launch of the first metal superyacht, the 40Alloy, winner of the ShowBoats Design Award and two World Superyacht Awards from Boat International.
In **2008**, a subsidiary in the United States, Sanlorenzo of the Americas LLC, was established, thus consolidating business relationships and customer service in the Americas area. Sanlorenzo launched the first SD122, which won Boat International's Word Superyacht Award, and the first SL104, awarded with the ADI Italian Innovation Award. In **2010**, the first steel displacement vessel, the 46Steel, was launched.
In 2011, the first SL118, new flagship of the fiberglass production, was launched and Sanlorenzo became the third shipyard in the world in the production of yachts over 24 metres[5], first as a monobrand, reaching second place in **2014**[6].
In **2015**, the first two 460Exp units of the new Explorer Line were launched, as well as the first SL86.
In **2016**, Sanlorenzo inaugurated the shipyard in La Spezia dedicated to the production of metal superyachts.
In **2017**, Sanlorenzo started production of composite semi-finished products at its current facilities in Massa, later acquired in 2020. At the product level, 2017 saw the launch of the 52Steel, the fleet flagship, and the SX88, followed the following year by the introduction of the SX76 first asymmetric model (SL102 Asymmetric) and the 500Exp. Also in **2018**, the company acquired Bluegame, entering the composite sport utility yacht segment and introducing a third division.

[5] *Source: Global Order Book 2011, Boat International.*
[6] *Source: Global Order Book 2014, Boat International.*

2019-2021: Sanlorenzo today

On 10 December **2019**, the company listed on the Milan Stock Exchange, with the placement of shares on the Euronext STAR Milan segment. The new flagship 64Steel, the first 64 metres superyacht, was launched. Sanlorenzo was confirmed as the world leader in terms of the number of yachts between 30 and 40 metres in length delivered between 2009 and 2019[7], the second largest shipbuilding group in the world and the largest shipyard operating with a single brand in the segment of yachts over 24 metres[8].
In **2020,** Sanlorenzo inaugurated the new D2 area inside the Ameglia shipyard, including 10,000 square metres of covered areas dedicated to the outfitting of composite yachts between 76 and 100 feet, and introduced new models that expanded the product lines of the three divisions, namely the SX112, the 62Steel and the BGX60.
In **2021**, Sanlorenzo completed three acquisitions of industrial infrastructures adjacent to the company's shipyards, dedicated to further expanding production capacity. The commitment to reducing the impact of yachts on the marine ecosystem remains strong, with the signing in September of an exclusive agreement with Siemens Energy for the development of solutions for the integration of fuel cell technology in the yachting sector from 24 to 80 metres. An example of this is the sale of the first 72Steel diesel electric, the largest superyacht ever built by the shipyard, which confirms the company's increasing focus on the future and leadership in the sector.

[7] *Fonte: The Superyacht Times, novembre 2019.*
[8] *Fonte: Global Order Book 2020, Boat International.*

the group today

The Group is a global leader in the luxury nautical industry, specialised in the design, production and sale of custom-made motor yachts, superyachts and sport utility yachts, which are fitted out and customised according to the needs and desires of exclusive customers.
Group activities are divided into three production divisions:

- Yacht Division, dedicated to the design, manufacturing and marketing of composite yachts between 24 and 38 metres long, under the Sanlorenzo brand;
- Superyacht Division, dedicated to the design, manufacturing and marketing of superyachts in aluminium and steel between 40 and 72 metres long, under the Sanlorenzo brand;
- Bluegame Division, dedicated to the design, manufacturing and marketing, under the Bluegame brand, of composite sport utility yachts between 13 and 23 metres long.

The sale of yachts is carried out both directly (through Sanlorenzo or other Group companies or intermediaries) and through brand representatives, each of which operates in one or more assigned regional zones.
Through the High-End Services Division created in 2020, the Group also offers an exclusive range of services dedicated only to Sanlorenzo and Bluegame customers.

THE PRODUCT RANGES

The divisions produce the following lines of yacht:

- Yacht Division: SL Line, SD Line and SX Line, sold under the Sanlorenzo brand name;
- Superyacht Division: Alloy Line, Steel Line, Explorer Line, sold under the Sanlorenzo brand name;
- Bluegame Division: BG line and BGX line, sold under the Bluegame brand name.

The table below shows the total numbers of yachts delivered in the year ended 31 December 2021, compared with 31 December 2020, for each division.

	Year ended 31 December				Change	
	2021	% of total	2020	% of total	2021 vs. 2020	2021 vs. 2020%
Yacht Division	54	65.1%	51	73.9%	3	+5.9%
Superyacht Division	7	8.4%	4	5.8%	3	+75.0%
Total Sanlorenzo	**61**	**73.5%**	**55**	**79.7%**	**6**	**+10.9%**
Bluegame Division	22	26.5%	14	20.3%	8	+57.1%
Group total	**83**	**100.0%**	**69**	**100.0%**	**14**	**+20.3%**

Yacht Division

SL Line

The SL Line is the historic Sanlorenzo range and includes planing flybridge yachts, with on-board motor and living quarters on two and a half decks for layouts with master cabin on the main deck and on two decks with master cabin on the lower deck. Starting in 2018, thanks to an idea from designer Chris Bangle, Sanlorenzo introduced the asymmetrical configuration, revolutionising the canonical layout of a yacht in favour of additional interior space and direct contact with the sea.
The SL Line includes six models with lengths ranging from 24 to 38 metres.

78

96A

86

106A

90A

120A

SD Line
The SD Line, introduced in 2007, perfectly complements the historic SL Line. Inspired by the transatlantic liners of the 1930s, includes shuttle-type yacht models, with a semi-displacement hull that does not rise up above the surface of the water while sailing, which allows great autonomy to reach even the most far-away destinations. With the launch of the new SD118 presented at the Cannes Yachting Festival in 2021, Sanlorenzo has introduced also in the semi-displacement models the asymmetric configuration, previously proposed on the SL Line.
The SD Line includes three models with lengths ranging from 28 to 38 metres.

96

118

126

SX Line

The SX Line, introduced in 2017, covers a new and transversal market segment which expands the offering of composite yachts. The SX Line includes crossover type yacht models, a type that combines elements of the flybridge segment with typical features of the Explorer Line, and is characterised by semi-planing speeds (around twenty-two knots), in between that of the SL and SD Lines.
The SX Line includes three models with lengths ranging from 24 to 34 metres.

76

88

112

Superyacht Division

Alloy Line

Represents the historic product line of Superyacht Division, introduced in 2007, with the delivery of the first 40Alloy model. It currently includes a model of 44 metres in length with hull and superstructure entirely in aluminium, characterised by a modern design with fast displacement hull and cutting-edge technology.

44

Steel Line
The Steel Line, introduced by Sanlorenzo in 2010, represents the classic range of Superyacht Division and includes yacht models with length from 52 to 72 metres, displacement hull made of steel – a extremely rigid and robust material – and aluminium superstructure laid out over 5/6 decks.

52

58

64

72

Explorer Line

The Explorer Line, which Sanlorenzo introduced in 2015, includes yachts with steel displacement hull and aluminium superstructure and length of 47 metres. It is characterised by features inspired by the big exploration vessels, the large living spaces on-board and high performance in terms of autonomy and sea-keeping.

500

Bluegame Division

BG Line
The BG Line, introduced in 2018 with the model BG42 conceived as tender or chase boat, includes "walk-around" boats, with a cockpit and steering gear located centrally in a raised position, surrounded by a walkway protected by a high bulwark. Over time, the range has been progressively expanded until the launch in 2021 of the 72-foot model, which combines features of open and flybridge boats.
The BG Line includes four models with lengths ranging from 13 to 23 metres.

BG42


BG54


BG62


BG72


BGX Line
The BGX Line was introduced in 2019 to combine the typical elements of the BG Line with the crossover concept, already developed by Sanlorenzo in a larger size with the SX Line and with highly innovative space distribution and a high-performance hull designed by naval architect Lou Codega.
The BGX Line includes two models with lengths ranging from 19 to 23 metres.

BGX60

BGX70

SERVICES

Through the High-End Services division, established in 2020, the Group offers an exclusive range of services dedicated to Sanlorenzo and Bluegame clients, such as tailor-made leasing and financing in collaboration with Sanlorenzo partners, a monobrand charter programme (Sanlorenzo Charter Fleet), maintenance, refit and restyling services (Sanlorenzo Timeless) and crew training at the Sanlorenzo Academy.

Sanlorenzo Timeless

Sanlorenzo Timeless is the range of services dedicated to preserve the value and the "timeless" character of Sanlorenzo yachts, adapting them to contemporary styles and tastes and upgrading the equipment on board. In particular, the services offered to shipowners are as follows:

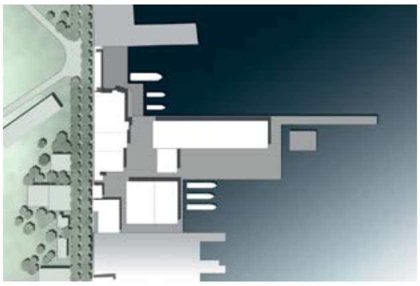
- Refit - replace or upgrade on-board instrumentation and equipment with the latest technology, improving safety and functionality;
- Restyle - renew the design of yachts through targeted interventions on furnishings, replacement of materials and upholstery and design from scratch of spaces and structures, with attention to the search for solutions with low environmental impact;
- Lifetime Care - constant care and maintenance (ordinary and extraordinary) of the yacht through rigorous checks, services, tests and certifications.

THE SHIPYARDS

Production activities are carried out at four shipyards within about 50 kilometres radius, within the nautical district sandwiched between the Apuan Alps and the Tyrrhenian Sea, between the northern Tuscan coast and the Ligurian eastside coast:

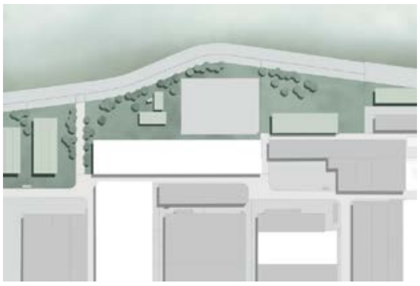
- Ameglia (SP), on the banks of the river Magra, dedicated to the outfitting of Sanlorenzo composite yachts of less than 100 feet in length (Yacht Division) and Bluegame yachts;
- La Spezia, dedicated to the outfitting of metal superyachts (Superyacht Division);
- Massa, dedicated to the production of semi-finished products in composite materials for outfitting in the Ameglia and Viareggio plants (Yacht Division) and to the development of new models;
- Viareggio (LU), dedicated to the outfitting of Sanlorenzo composite yachts longer than 100 feet (Yacht Division) and some models of metal superyachts (Superyacht Division).

1 La Spezia



2 Ameglia

3 Massa



4 Viareggio

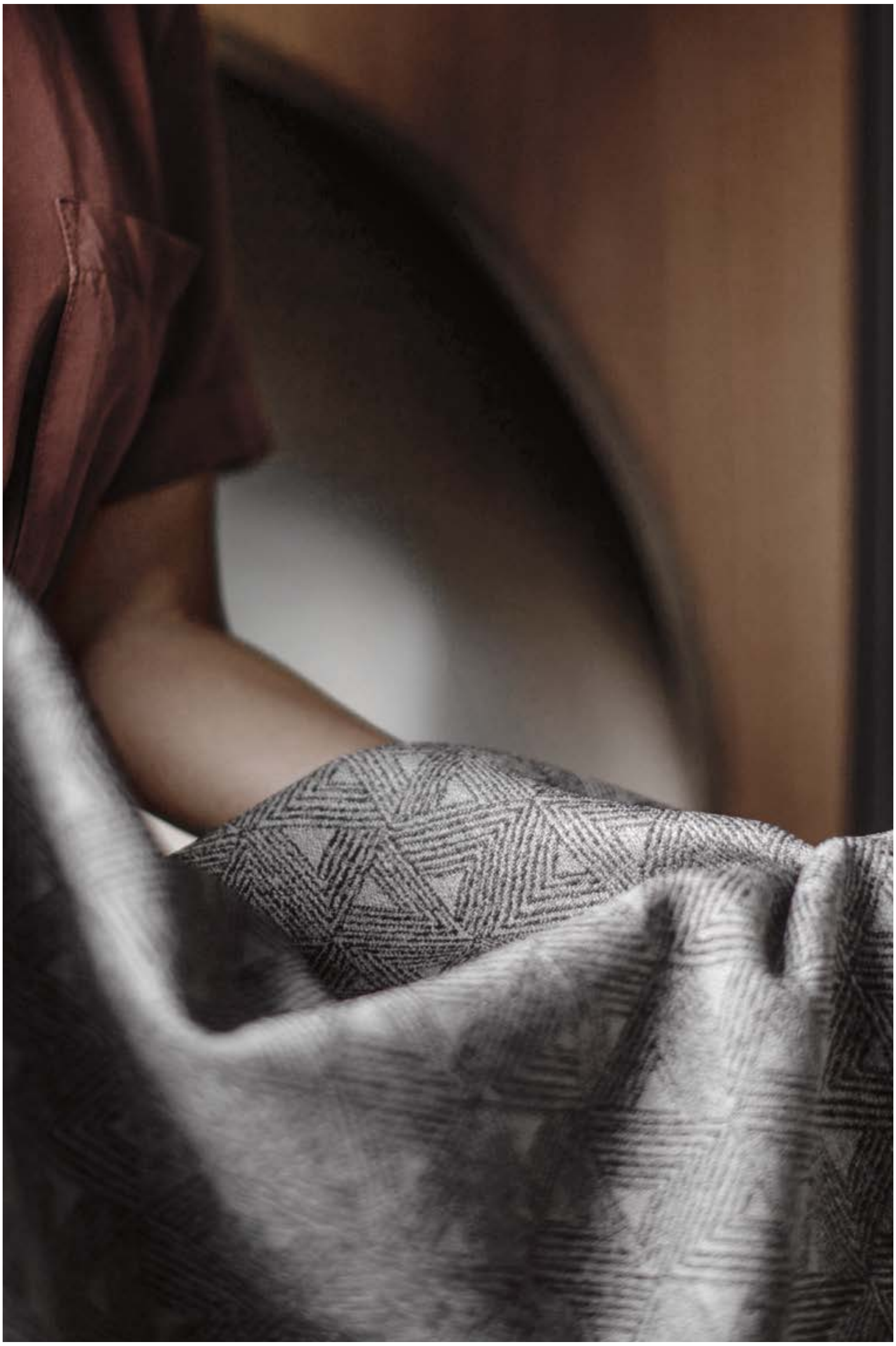
strategy and business model

Sanlorenzo is the only player in the luxury yachting sector to compete in different segments with a single brand: its high-end positioning represents one of the main distinguishing factors of the Company.
The uniqueness of the product, the constant innovation of the yacht design, in keeping with the Sanlorenzo tradition, the loyalty of customers, the collaborations with world-renowned designers, the communication and strong liaison with art and culture have given to the Group a strong foothold in the luxury yachting industry, where the Sanlorenzo brand is recognised as the epitome of excellence and exclusivity.
The business model is based on the construction of a limited number of boats per year, taking care of every detail and relying on a supply chain of thousands of highly qualified artisan businesses, mostly located in the Upper Tyrrhenian Sea nautical district, with which the Group maintains long-standing relationships.
Thanks also to the operational execution delegated to highly experienced and skilled artisan businesses, the Group can dedicate itself to the higher value-added stages of production, the liaising with customers, the creation of innovative and sustainable new products, the promotion of the brand and the quality control.

“MADE TO MEASURE”

The Group is characterised by its rigorously tailor-made approach, starting from the initial phases of design of yacht interiors and exteriors, in which the customer is involved in from the outset, establishing a close relationship of collaboration and knowledge, even personal, with each owner. The high degree of customisation of the interior and exterior fittings and technological equipment, not just of yachts longer than 40 metres, but also those between 24 and 40 metres, is a distinctive trait of Sanlorenzo in the global luxury sailing landscape. This feature is based on the Company's philosophy of guaranteeing its customers a "tailor-made" yacht, even in the smallest models, with an exclusive approach involving a limited number of yachts produced each year for each range and a personal relationship with each owner.

The resulting strong prevalence of sales to end customers compared with stock sales to brand representatives means that the Group has greater visibility and planning of expected revenues, based on contractual provisions and production progress for each order, benefits for working capital linked to a more favourable collection profile and a reduction in the operating risks linked to the possibility of cancellation of contracts during economic downturns.



“CONNOISSEUR” CUSTOMERS

The “made to measure” approach and the quality of the product have allowed the Company to attract over the years an exclusive and sophisticated clientele composed mainly of the category of connoisseurs, achieving over time a high degree of loyalty of Sanlorenzo owners.

The brand awareness, which has come about thanks to the presence of this number of connoisseurs, has also favoured the attraction of customers who are less expert in the sector or from less mature markets, for whom the connoisseur represents a paradigm to strive towards.

Customers belong to the social class of the Ultra High Net Worth Individuals (UHNWIs), characterised by rates of yachting penetration among the lowest in the luxury segment and therefore, strong unexpressed demand potential. This factor, combined with the expansion of demand resulting from the steady increase in the number and wealth of UHNWIs, especially in North America and APAC, represents an ample opportunity for growth, aided by the emotional nature of buying a yacht. The desire for freedom, the need for safety and the ability to work remotely that have characterised the last two years of the pandemic have in fact attracted new buyers, with a consequent increase in demand for yachts.

PRODUCTION EXCELLENCE AND FLEXIBILITY

The Group's yachts are created with attention to every detail, to maximise quality and comfort for the customer.
The high quality of the features is also guaranteed by long-standing relationships with highly skilled local handcraft employed in the production process. The Group relies on a network of thousands of specialist contractors, part of an ecosystem of artisan businesses with a long history, largely located on the coast of the Tyrrhenian Sea between La Spezia and Viareggio, a genuine district of nautical excellence.
Thanks to this business model, unique in the nautical sector, the Group can offer the flexible execution needed to keep the "made to measure, hand-made, well-made" promise for every one of its yachts. The marked outsourcing of the production process, which translates into a wide flexibility of production costs, has allowed the Group a strong resilience even during unfavourable economic times.

DESIGN AND SUSTAINABLE TECHNOLOGICAL INNOVATION OF YACHTS

The strength of the product is the result of the Group's ability to create yachts that stand out for their iconic and timeless design and that represent the result of the customisation process.

Furthermore, the Group's product range is extensive and diversified in terms of the size and materials used, as well as the characteristics of the various lines, in order to meet the needs of highly sophisticated customers. Thanks to constant investments in research and development, the fleet presents a high degree of innovation which, combined with an iconic and timeless nautical design, makes every yacht produced by the Group immediately recognisable at sea.

For 2021, the Group introduced to the market three new models for the Yacht Division (SL90 Asymmetric, SL120 Asymmetric, SD118), the expansion of the BG Line with the BG72 model and the restyling of the SL106 Asymmetric model.

The robust plan to expand the product ranges includes the launch, starting from 2022, of three new ranges offering novel functionalities, transversal to different market segments and strongly inspired by sustainability criteria:

- the SP Line ("Smart Performance") for the Yacht Division, with the new model SP110, which will see Sanlorenzo enter the sports coupé segment, allowing high performance to be achieved by using technologies with a low environmental impact;
- the X-Space Line for the Superyacht Division, with the 42-metre long model, entry-level of the metal range, characterised by large volumes, ample space on board, flexibility and high autonomy;
- the BGM Line for the Bluegame Division, with which the Group enters the multihull segment with a luxury proposal that will allow extremely low consumption.

In addition to the launch of new ranges, the extension of existing lines is planned during 2022, starting with the presentation of the new Bluegame BG54 and the new SD90 model of the Yacht Division, which will also see, in 2023, the introduction of an "S" ("Sustainable") version, with a diesel-electric propulsion system, a highly efficient hull thanks to the collaboration with Philippe Briand and extensive use of eco-sustainable materials for the interior.

In fact, the development of new models is accompanied by increasing attention to the sustainability of products, with the introduction of innovations and technologies aimed at reducing the environmental impact of yachts. Of strategic importance is the partnership launched in 2021 with Siemens Energy, which includes, among others, a collaboration for the joint development of solutions for the integration of methanol fuel cells for the generation of electricity on board, an exclusive agreement for the yachting sector between 24 and 80 metres in length.

COLLABORATIONS WITH WORLD-RENOWNED DESIGNERS AND ARCHITECTS

Sanlorenzo works closely with world-renowned designers and architects on both creating the external features of the yachts and on designing the layout and furnishing of the exteriors and the interiors.
For the exterior lines of the yachts, the Group relies on a single design firm, currently the Zuccon International Project practice, to ensure uniformity and maintain its own distinctive features.
For the layout and fitting of the exteriors and interiors, for more than ten years the Group has maintained strong partnerships with world-renowned architects and designers: these participate in the creation of the first model of each line and make their expertise and professionalism available to owners in building their yachts. These partnerships have involved, among others, Rodolfo Dordoni, Piero Lissoni, Patricia Urquiola, Antonio Citterio and Patricia Viel, John Pawson and Christian Liagre.
The high level of the design and innovation of the yachts that characterise the Group's activities has been recognised by sector operators, owners and the specialised press which, over the years, have awarded the Group's products many awards and recognitions. In particular, in 2021, the SX112 model was awarded as "Outstanding Exterior Design, Motor Yachts 24m to 39.9m" at the Boat International Design & Innovation Awards and "Semi-Displacement or Planing Motor Yachts 30m to 39.9m" at the Boat International World Superyacht Awards. Always in 2021, at the World Yacht Trophies, the SL90 Asymmetric and the BG72 models were awarded in the "Best Innovation" category and the SL120 Asymmetric model for the "Best Layout".

COMMUNICATION WITH A NEW LANGUAGE AND STRONG LIAISON WITH ART AND CULTURE

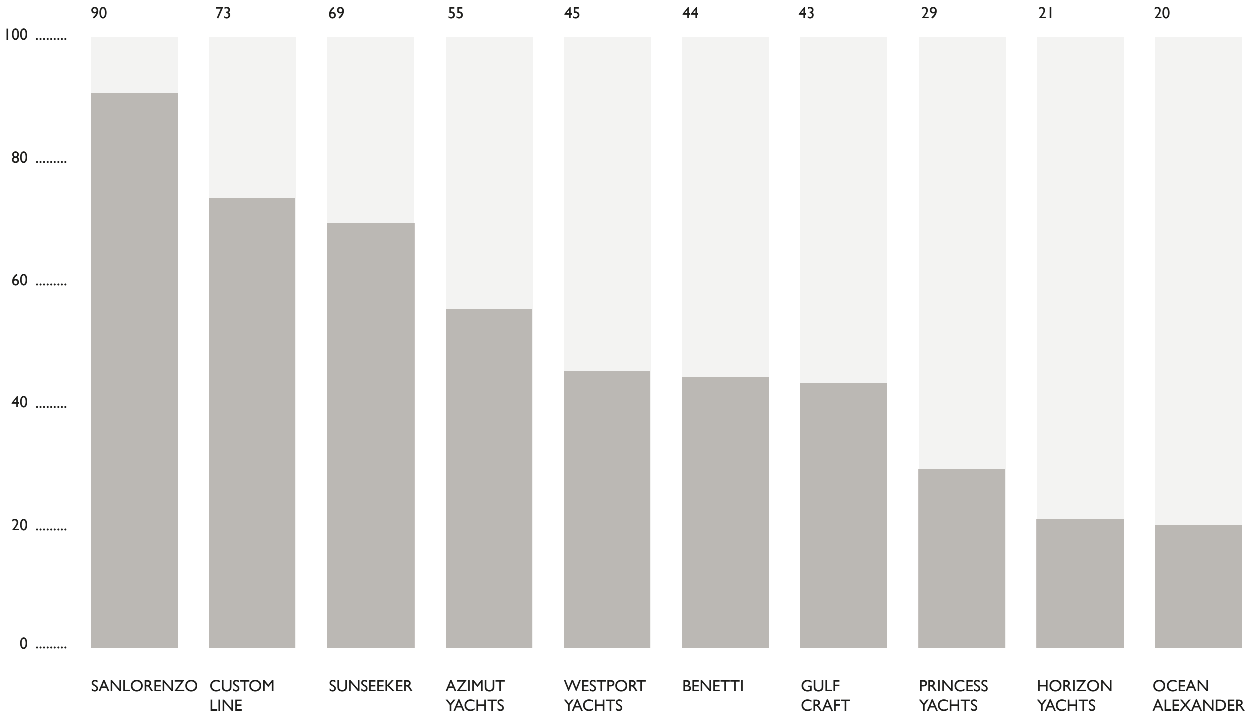
The Group has adopted an experiential communication and marketing strategy, focused on manufacturing exclusivity, high quality, design and elegance of the yachts, combined with the exclusivity of the relationship with the customer, the central focus of a totally personalised and engaging experience.
Among the most important recent initiatives developed in a partnership with Piero Lissoni, it should be mentioned the launch of the Almanac – publications created specifically by various artists on the themes that are the hallmark of Sanlorenzo, which are gifted at the end of each year to owners of Sanlorenzo yachts – and the Log Books of presentation of the Group, the update of the stands at the main global boat trade fairs, and the organisation of the "Elite Days" events, with the participation of customers coming from all over the world.
Initiatives in the world of art and design involving Sanlorenzo include the exclusive agreement for the nautical world with Art Basel on a global level, which sees the participation of Sanlorenzo in the contemporary art events organized every year in Basel, Miami and Hong Kong; and the multi-year collaboration started in 2020 with the Peggy Guggenheim Collection in Venice as Institutional Patron. Furthermore, the partnership with the LericiPea Golfo dei Poeti Award, the participation and staging of exhibitions by Sanlorenzo at major events such as the Biennale di Venezia and Milan Design Week.
In September 2020, Sanlorenzo was also awarded the Compasso d'Oro ADI, the oldest and most authoritative design award, for the installation "Il mare a Milano", set up in 2017 at the Milan Triennale. In October 2021, the SX112 crossover yacht became part of the ADI Design Index 2021, the ADI Associazione per il Disegno Industriale volume that collects the best Italian design put into production each year, selected by the ADI Permanent Design Observatory.
Also in 2021, Sanlorenzo presented the photographic exhibition "Dedalo" by photographer Veronica Gaido at the Sale De Maria at the Casa dei Tre Oci in Venice and the exhibition "A Point of View", on the occasion of the 2021 Architecture Biennale, in collaboration with designer and architect John Pawson.
In 2022, Sanlorenzo is the main sponsor of the Italian Pavilion, curated by Eugenio Viola, at the 59th International Art Exhibition of La Biennale di Venezia: a further confirmation of the artistic sensitivity of Sanlorenzo, which intertwines its path with the world of contemporary art and its languages.

competitive positioning of the brand

Sanlorenzo is the leading brand at the world level in terms of number of yachts between 30 and 40 metres delivered between 2009 and 2019[9], with a market share of 18%[10].

TOP TEN SUPERYACHT BRANDS 30/39.99 M BY DELIVERIES SINCE 2009

As per early october 2019



[9] *Data updated to the beginning of October 2019. Source: The Superyacht Times, November 2019.*

[10] *Calculated on the basis of the 90 yachts delivered by Sanlorenzo with respect to a total of 489 in the sector. Source: The Superyacht Times, November 2019.*

In the annual ranking of the Global Order Book prepared by Boat International magazine, Sanlorenzo was confirmed as the first monobrand yacht builder in the world for the production of yachts and superyachts over 24 metres and the second yacht builder in the world, with 117 yachts under construction in 2021 equivalent to 4,159 metres in length.[11]

TOP BUILDERS BY TOTAL LENGTH OF CONSTRUCTION

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

(*) data only partially shared by the shipyard.

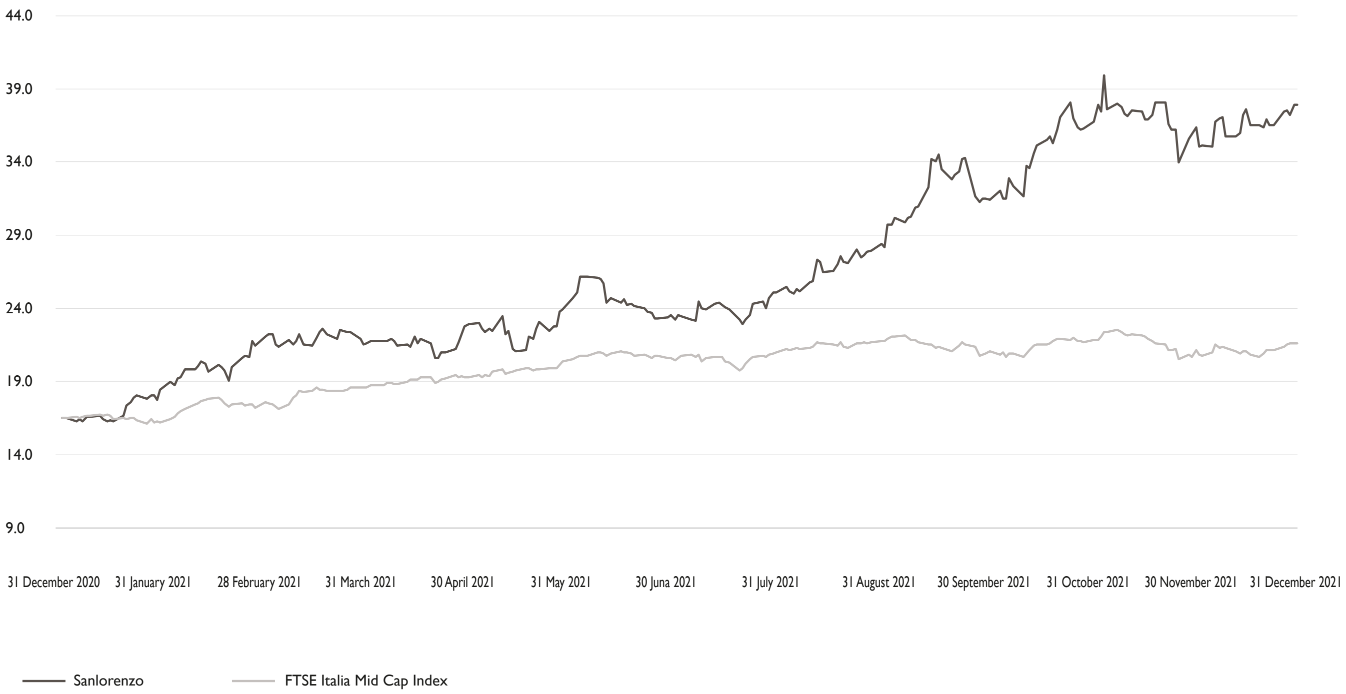
[11] *Source: Global Order Book 2022, Boat International, December 2021.*

Sanlorenzo in the stock exchange

SHARE PERFORMANCE

On 10 December 2019, the trading of the Company's shares on the Euronext STAR Milan organised and managed by Borsa Italiana S.p.A. began. The initial offer price was €16.00 per share.
The following table and graph show the performance of the shares in 2021.

	Euro	Date
IPO price	16.00	10 December 2019
Minimum closing price	16.26	13 January 2021
Maximum closing price	39.95	4 November 2021
Closing price	37.90	31 December 2021
Number of shares	34,539,268	31 December 2021
Capitalisation	1,309,038,257	31 December 2021



In 2021, the Sanlorenzo share price recorded a 129.70% increase, outperforming the FTSE Italia Mid Cap index by 75.55%.
As at 31 December 2021, the closing price of the shares was €37.90 and the market capitalisation amounted to €1,309 million, based on the updated share capital as at 30 December 2021. During January and February 2022, share capital was further increased as a result of option exercises related to the 2020 Stock Option Plan, and includes 34,594,172 shares as at 28 February 2022.
During 2021, dialogue with the financial community (investors, analysts) continued even more frequently than in the previous year. The Group's management and the Investor Relations team participated in industry conferences, road shows in the world's major financial centres and meetings and calls with fund managers, buy side and sell side analysts. Most of these events were conducted virtually, through video conferencing.

SHAREHOLDING STRUCTURE

Significant equity investments in the Company's share capital, according to the communications issued pursuant to Article 120 of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance), are detailed below.

Shareholder	No. of ordinary shares	%
Massimo Perotti (Holding Happy Life S.r.l.)	20,930,891	60.5%
Market	13,663,281	39.5%
TOTAL	**34,594,172**	**100.0%**

Update: 28 February 2022

On 9 June 2021, Holding Happy Life S.r.l., holding company of the Perotti family, completed the sale of 1,000,000 shares, equal to approximately 2.90% of the share capital, through an accelerated bookbuilding procedure. As a result of the transaction, aimed at increasing the free float of Sanlorenzo, and the acquisitions in 2021, the investment of Holding Happy Life S.r.l. is equal to 60.5% of the share capital as at 28 February 2022.
As at 27 June 2021, increased voting rights were granted to a total of 20,837,128 ordinary shares of the Company, of which 20,669,128 are owned by Holding Happy Life S.r.l., with 75.0% of total voting rights as at 28 February 2022 (including shares without increased vote).

FINANCIAL CALENDAR

Date	Event
3 February 2022	Board of Directors Approval of the preliminary consolidated results for the year ended 31 December 2021
10 March 2022	Board of Directors Approval of the draft financial statements and consolidated financial statements for the year ended 31 December 2021
28 April 2022	Shareholders' Meeting Approval of the financial statements for the year ended 31 December 2021
5 May 2022	Board of Directors Approval of the periodic financial information as at 31 March 2022
1 September 2022	Board of Directors Approval of the half-yearly financial statements as at 30 June 2022
8 November 2022	Board of Directors Approval of the periodic financial information as at 30 September 2022

II

REPORT ON OPERATIONS
SECTION TWO

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introduction

Sanlorenzo S.p.A. (the "Company") drafted the Report on Operations as the single document both for the Group Consolidated Financial Statements and the Separate Financial Statements.
The Report must be read together with the Financial Statements and the associated Notes to the Financial Statements, integral parts of the Consolidated Financial Statements and the Separate Financial Statements. These documents include the additional information required by Consob, with the provisions issued in implementation of Article 9 of Italian Legislative Decree 38/2005 (resolutions 15519 and 15520 of 27 July 2006 and communication DEM/6064293 of 28 July 2006), as well as with any subsequent communication containing provisions governing financial disclosure.

main alternative performance indicators

In order to allow a better evaluation of its operating performance, Sanlorenzo Group uses some alternative performance indicators.
The indicators represented are not identified as accounting measures by the IFRS and, therefore, must not be considered alternative measures to those provided by the financial statements for assessing the Group's economic performance and the relevant financial position. The Group believes that the financial information reported below is an important additional parameter for evaluating its performance, allowing its economic and financial performance to be monitored in more detail. Since these financial data do not constitute measures that can be determined through the reference accounting standards for the preparation of the consolidated financial statements, the method applied for the associated calculation may not be consistent with the one adopted by other groups and, therefore these data may not be comparable with those presented by said groups.
These alternative performance indicators, calculated in compliance with the Guidelines on Alternative Performance Indicators issued by ESMA/2015/1415 and adopted by Consob in its communication no. 92543 of 3 December 2015, refer solely to the performance of the period forming the object of this financial report and the periods being compared and not to the Group's expected performance.
The alternative performance indicators used in this financial report are outlined below:

- Backlog: is calculated as the sum of the value of the orders and sales contracts signed with customers or brand representatives relating to yachts for delivery or delivered in the current financial year or for delivery in subsequent financial years. For each year, the value of the orders and contracts included in the backlog refers to the relative share of the residual value from 1 January of the year in question until the delivery date. The backlog relating to yachts delivered during the year is conventionally cleared on 31 December;
- Net Revenues New Yachts: calculated as the algebraic sum of revenues from contracts with customers relating to new yachts (recognised over time with the cost-to-cost method), net of commissions. In accordance with IFRS standards, the calculation of revenues from the sale of new yachts includes the difference between the value contractually attributed to the pre-owned boats traded in and their relative fair value;
- EBITDA: represented by the Operating Result (EBIT) before amortisation/depreciation;
- EBITDA margin: the ratio between EBITDA and Net Revenues New Yachts;
- Adjusted EBITDA: represented by the Operating profit/loss (EBIT) before amortisation/depreciation adjusted for non-recurring items;
- Adjusted EBITDA margin: the ratio between adjusted EBITDA and Net Revenues New Yachts;

- Net fixed capital: calculated as the sum of goodwill, intangible assets with a finite useful life, property, plant and equipment and net deferred tax assets, net of the corresponding non-current provisions;
- Net working capital: calculated as the sum of trade receivables, contract assets, inventories and other current assets, net of trade payables, contract liabilities, provisions for current risks and charges and other current liabilities;
- Net trade working capital: calculated as the sum of trade receivables, contract assets and inventories, net of trade payables and contract liabilities;
- Net invested capital: calculated as the sum of net fixed capital and net working capital;
- Investments: increases in property, plant and equipment and intangible assets with a finite useful life;
- Net financial position: calculated as defined by the new Guidelines issued by ESMA and reported in ESMA document 32-382-1138 of 4 March 2021 (Consob Warning Notice no. 5/21 for Consob Communication DEM/6064293, 28 July 2006), as the sum of liquidity (including cash equivalents and other current financial assets), net of current and non-current financial indebtedness, including the fair value of hedging derivatives. If positive, it indicates a net cash position.

operating performance of Sanlorenzo group

BACKLOG PERFORMANCE

(€'000)	31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
Gross backlog	1,501,534	866,464	635,070	+73.3%
Net Revenues New Yachts for the period	585,902	457,703	128,199	+28.0%
Net backlog	**915,632**	**408,761**	**506,871**	**+124.0%**
Of which next year	*544,060*	*305,072*	*238,988*	*+78.3%*
Of which subsequent years	*371,572*	*103,689*	*267,883*	*+258.4%*

As at 31 December 2021, gross backlog amounted to €1,501,534 thousand, compared to €866,464 thousand as at 31 December 2020. The increase compared to the same date in 2021 was €635,070 thousand.

(€'000)	Backlog				
	1° January 2021[12]	31 March 2021	30 June 2021	30 September 2021	31 December 2021
Backlog	**408,761**	**553,411**	**810,740**	**1,191,876**	**1,501,534**
Of which current year	305,072	409,899	497,982	570,646	585,902
Of which subsequent years	103,689	143,512	312,758	621,230	915,632

(€'000)	Change (order intake)				
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021
Order intake	**144,650**	**257,329**	**381,136**	**309,658**	**1,092,773**
Of which current year	104,827	88,083	72,664	15,256	280,830
Of which subsequent years	39,823	169,246	308,472	294,402	811,943

12 *Opening the current year with net backlog as at 31 December of the previous year.*

The order intake of the fourth quarter order equal to €309,658 thousand added to €783,115 thousand of the first nine months of the year, for a total of €1,092,773 thousand of new orders collected during 2021.
As at 31 December 2021, the backlog, cleared from Net Revenues New Yachts recorded during the year, amounted to €915,632 thousand, more than doubled compared to €408,761 thousand as at 31 December 2020.
The weight of superyachts in the order portfolio increased, as a result of the contracts signed in the second half of the year, which saw, among others, the sale in November of 72Steel, the new flagship, and 6 units of the new X-Space Line, which was a great success even before its presentation.
Also, the new models launched in 2021 (SL90 Asymmetric, SL120 Asymmetric, SD118 for the Yacht Division and BG72 for Bluegame) received extremely positive feedback.

RECLASSIFIED INCOME STATEMENT

Consolidated economic results

(€'000)	Year ended 31 December				Change	
	2021	% Net Revenues New Yachts	2020	% Net Revenues New Yachts	2021 vs. 2020	2021 vs. 2020%
Net Revenues New Yachts	**585,902**	**100.0%**	**457,703**	**100.0%**	**128,199**	**+28.0%**
Net revenues from pre-owned boats, maintenance and other services	82,143	14.0%	69,765	15.2%	12,378	+17.7%
Other income	5,488	0.9%	5,728	1.3%	(240)	-4.2%
Operating costs	(577,990)	(98.6)%	(462,561)	(101.1)%	(115,429)	+25.0%
Adjusted EBITDA	**95,543**	**16.3%**	**70,635**	**15.4%**	**24,908**	**+35.3%**
Non-recurring costs	(916)	(0.1)%	(1,399)	(0.3)%	483	-34.5%
EBITDA	**94,627**	**16.2%**	**69,236**	**15.1%**	**25,391**	**+36.7%**
Depreciation and amortisation	(22,440)	(3.8)%	(20,208)	(4.4)%	(2,232)	+11.0%
EBIT	**72,187**	**12.4%**	**49,028**	**10.7%**	**23,159**	**+47.2%**
Net financial expense	(1,160)	(0.2)%	(2,174)	(0.5)%	1,014	-46.6%
Adjustments to financial assets	(21)	(0.0)%	34	0.0%	(55)	-161.8%
Pre-tax profit	**71,006**	**12.2%**	**46,888**	**10.2%**	**24,118**	**+51.4%**
Income taxes	(19,655)	(3.4)%	(12,480)	(2.7)%	(7,175)	+57.5%
Net profit	**51,351**	**8.8%**	**34,408**	**7.5%**	**16,943**	**+49.2%**
Net (profit)/loss attributable to non-controlling interests	(344)	(0.1)%	100	0.0%	(444)	-444.0%
Group net profit	**51,007**	**8.7%**	**34,508**	**7.5%**	**16,499**	**+47.8%**

Net Revenues New Yachts

(€'000)	Year ended 31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
Revenue from contracts with customers (New Yachts)	605,080	476,354	128,726	+27.0%
Commissions (New Yachts)	(19,178)	(18,651)	(527)	+2.8%
Net Revenues New Yachts	**585,902**	**457,703**	**128,199**	**+28.0%**

Net Revenues New Yachts in 2021 increased 28.0% over the prior year to €585,902 thousand, compared to €457,703 thousand as at 31 December 2020. In a context of strong market acceleration, this performance is a result of both a rise in volumes due to the high collection of new orders and an increase in average selling prices starting from the late spring of the year, made possible by the Company's commercial positioning.

Net Revenues New Yachts by division

(€'000)	Year ended 31 December				Change	
	2021	% totale	2020	% totale	2021 vs. 2020	2021 vs. 2020%
Yacht Division	362,828	62.0%	292,790	64.0%	70,038	+23.9%
Superyacht Division	178,950	30.5%	135,794	29.7%	43,156	+31.8%
Bluegame Division	44,124	7.5%	29,119	6.3%	15,005	+51.5%
Net Revenues New Yachts	**585,902**	**100.0%**	**457,703**	**100.0%**	**128,199**	**+28.0%**

The Yacht Division generated Net Revenues New Yachts of €362,828 thousand, equal to 62.0% of the total, up by 23.9% compared to 2020. This result involved all product ranges, in particular the SX line, with the SX112, the SD line, with the SD118 presented at the Cannes Yachting Festival in September, and the asymmetrical models of the SL line.
Net Revenues New Yachts of the Superyacht Division amounted to €178,950 thousand, accounting for 30.5% of the total, a 31.8% increase on 2020, driven by the Steel line and the new X-Space line, which was extremely well received even before its launch, expected in 2022.
The Bluegame Division recorded Net Revenues New Yachts of €44,124 thousand, accounting for 7.5% of the total, up by 51.5% compared to 2020, thanks in particular to the BGX line, and the first sales of the new BG72 model, presented at the Cannes Yachting Festival in September.

Net Revenues New Yachts by geographical area

(€'000)	Year ended 31 December				Change	
	2021	% of total	2020	% of total	2021 vs. 2020	2021 vs. 2020%
Europe	323,303	55.2%	234,090	51.1%	89,213	+38.1%
Americas	136,885	23.4%	82,807	18.1%	54,078	+65.3%
APAC	89,192	15.2%	103,661	22.7%	(14,469)	-14.0%
MEA	36,522	6.2%	37,145	8.1%	(623)	-1.7%
Net Revenues New Yachts	**585,902**	**100.0%**	**457,703**	**100.0%**	**128,199**	**+28.0%**

Europe recorded Net Revenues New Yachts of €323,303 thousand (of which €65,337 thousand generated in Italy), accounting for 55.2% of the total, up 38.1% compared to 2020.
The Americas recorded Net Revenues New Yachts equal to €136,885 thousand, accounting for 23.4% of the total, up by 65.3% compared to 2020, thanks to the excellent results in the United States.
The APAC area recorded Net Revenues New Yachts equal to €89,192 thousand, accounting for 15.2% of the total, a 14.0% decrease on 2020, driven by sales in Hong Kong and Singapore.
The MEA area recorded Net Revenues New Yachts of €36,522 thousand, accounting for 6.2% of the total, down by 1.7% compared to 2020.

Operating results

(€'000)	Year ended 31 December				Change	
	2021	% of total	2020	% of total	2021 vs. 2020	2021 vs. 2020%
EBIT	**72,187**	**12.4%**	**49,028**	**10.7%**	**23,159**	**+47.2%**
+ Amortisation/depreciation	22,440	3.8%	20,208	4.4%	2,232	+11.0%
EBITDA	**94,627**	**16.2%**	**69,236**	**15.1%**	**25,391**	**+36.7%**
+ Non-recurring costs	916	0.1%	1,399	0.3%	(483)	-34.5%
Adjusted EBITDA	**95,543**	**16.3%**	**70,635**	**15.4%**	**24,908**	**+35.3%**

EBIT in 2021 was equal to €72,187 thousand, a 47.2% increase on the previous year, with an incidence of 12.4% on Net Revenues New Yachts, up from 10.7% as at 31 December 2020.
Amortisation/depreciation, equal to €22,440 thousand, rose by 11.0% compared to 2020, in relation to significant investments made to increase production capacity and develop new products.
EBITDA stood at €94,627 thousand, with a 36.7% increase on 2020; the incidence on Net Revenues New Yachts was equal to 16.2%
EBITDA adjusted for non-recurring components of €916 thousand, mainly representing the non-monetary costs of stock plans and the expenses incurred for COVID-19, reached €95,543 thousand, up by 35.3% on 2020; the margin on Net Revenues New Yachts was equal to 16.3%, against 15.4% in 2020.
The steady increase in operating profitability is related to the change in product mix in favour of larger yachts in all divisions and the increase in average selling prices.
Despite the presence of an inflationary scenario in the last months of the year, the impact of the increase in raw material prices remains limited, also due to the prevalence of labour in the structure of production costs. Increasingly close partnerships with suppliers ensure the supply of key materials and components at a pre-determined price through the signing of multi-year contracts.
Operating results also continue to benefit from the efficiencies generated by the optimisation of the new production capacity and the consequent greater absorption of fixed costs.

Net profit

(€'000)	Year ended 31 December				Change	
	2021	% of total	2020	% of total	2021 vs. 2020	2021 vs. 2020%
EBIT	**72,187**	**12.4%**	**49,028**	**10.7%**	**23,159**	**+47.2%**
Net financial expense	(1,160)	(0.2)%	(2,174)	(0.5)%	1,014	-46.6%
Adjustments to financial assets	(21)	(0.0)%	34	0.0%	(55)	-161.8%
Pre-tax profit	**71,006**	**12.2%**	**46,888**	**10.2%**	**24,118**	**+51.4%**
Income taxes	(19,655)	(3.4)%	(12,480)	(2.7)%	(7,175)	+57.5%
Net profit	**51,351**	**8.8%**	**34,408**	**7.5%**	**16,943**	**+49.2%**
Net (profit)/loss attributable to non-controlling interests	(344)	(0.1)%	100	0.0%	(444)	-444.0%
Group net profit	**51,007**	**8.7%**	**34,508**	**7.5%**	**16,499**	**+47.8%**

Net financial expense in 2021 totalled €1,160 thousand, down by 46.6% compared to the previous year, due to the improved financial conditions applied to the Group by financial institutions and the positive refinancing of some credit lines.

The pre-tax profit for the year reached €71,006 thousand, increasing by €24,118 thousand, from €46,888 thousand as at 31 December 2020. As a percentage of Net Revenues New Yachts reached 12.2% at 31 December 2021 compared to 10.2% in the prior year, an increase of 2.0 percentage points.

Income taxes increased by €7,175 thousand, from €12,480 thousand in 2020 to €19,655 thousand in 2021. Income taxes in 2021 were equal to 27.7% of the pre-tax result, compared to 26.6% in 2020.

Net profit attributable to non-controlling interests, equal to €344 thousand, refers to profits generated by Sanlorenzo of the Americas LLC and its subsidiary Fortune Yacht LLC.

In light of the foregoing, the Group's net profit for the year was €51,007 thousand, up by 47.8% compared to € 34,508 thousand recorded in 2020. The margin on Net Revenues New Yachts increased from 7.5% in 2020 to 8.7% in 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Balance sheet reclassified according to sources and uses

(€'000)	31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
USES				
Net fixed capital	192,848	162,308	30,540	+18.8%
Net working capital	(2,713)	19,254	(21,967)	-114.1%
Net invested capital	**190,135**	**181,562**	**8,573**	**+4.7%**
SOURCES				
(Net financial position)	(39,006)	(3,829)	(35,177)	+918.7%
Equity	229,141	185,391	43,750	+23.6%
Total sources	**190,135**	**181,562**	**8,573**	**+4.7%**

Net fixed capital and investments

Net fixed capital

(€'000)	31 December				Change	
	2021	% of total assets	2020	% of total assets	2021 vs. 2020	2021 vs. 2020%
Goodwill	8,667	1.5%	8,667	1.7%	–	–
Intangible assets with a finite useful life	45,276	7.6%	36,434	7.3%	8,842	+24.3%
Property, plant and equipment	134,988	22.6%	112,491	22.4%	22,497	+20.0%
Equity investments and other non-current assets	446	0.1%	412	0.1%	34	+8.3%
Net deferred tax assets	5,963	1.0%	6,538	1.3%	(575)	-8.8%
Non-current employee benefits	(1,058)	(0.2)%	(845)	(0.2)%	(213)	+25.2%
Non-current provisions for risks and charges	(1,434)	(0.2)%	(1,389)	(0.3)%	(45)	+3.2%
Net fixed capital	**192,848**	**32.4%**	**162,308**	**32.3%**	**30,540**	**+18.8%**

Net fixed capital as at 31 December 2021 was equal to €192,848 thousand, a €30,540 thousand increase on the end of 2020, mainly due to the investments made during the year, connected to both the expansion in productive capacity and the development of new models. As a percentage of total assets as at 31 December 2021, it was equal to 32.4%, against 32.3% at the end of the previous year.
For more details on the components of net fixed capital, please refer to the Notes to the consolidated financial statements.

Investments

(€'000)	Year ended 31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
Land and buildings	19,678	7,920	11,758	+148.5%
Industrial equipment	8,238	9,161	(923)	-10.1%
Plants and equipment	3,797	2,678	1,119	+41.8%
Other assets	4,663	1,902	2,761	+145.2%
Fixed assets in progress	1,690	1,377	313	+22.7%
Increases in property, plant and equipment	**38,066**	**23,038**	**15,028**	**+65.2%**
Concessions, licences, trademarks and similar rights	2,569	990	1,579	+159.5%
Development costs	6,316	5,919	397	+6.7%
Fixed assets in progress	2,262	874	1,388	+158.8%
Increases in intangible assets with a finite useful life	**11,147**	**7,783**	**3,364**	**+43.2%**
Investments in the year	**49,213**	**30,821**	**18,392**	**+59.7%**

Investments made in 2021 amounted to €49,213 thousand, an increase of 59.7% compared to 30,821 thousand as at 31 December 2020. As a percentage of Net Revenues New Yachts increased from 6.7% in 2020 to 8.4% in 2021.
The breakdown of investments by nature shows €26,713 thousand related to the production capacity increase program (54.3% of the total), €17,472 thousand dedicated to the development of products and the creation of models and moulds (35.5% of the total), €2,499 thousand related to recurring industrial investments for equipment and plants (5.1% of the total) and €2,529 thousand to other investments (5.1% of the total).
Investments dedicated to increasing production capacity, which more than doubled compared to the previous year, include three acquisitions of industrial infrastructures (inclusive of furnishings and equipment) adjacent to the Company's shipyards in Viareggio, Massa and La Spezia for a total amount of €19,182 thousand (including transaction costs), carried out in the third quarter of the year in response to the acceleration of sales. The impact of these transactions, which also took the form of the purchase of business units, was reflected in the individual asset items, which increased. For more details on

these transactions, reference should be made to the paragraph "Significant events occurring during the year" of this report.
Investments in research and development for the creation of new products represent 3.0% of Net Revenues New Yachts and increased by 11.3% compared to the previous year, in line with the strategy adopted, aimed at the expansion of product ranges with the introduction of sustainable innovations and technologies. The significant share devoted to new product development has enabled the launch of five new models during 2021 and the design of three new product ranges, which will be launched from 2022.

Net working capital

(€'000)	As at 31 December				Change	
	2021	% of total assets	2020	% of total assets	2021 vs. 2020	2021 vs. 2020%
Inventories	68,269	11.5%	82,214	16.4%	(13,945)	-17.0%
Trade receivables	18,310	3.1%	17,233	3.4%	1,077	+6.2%
Contract assets	117,194	19.7%	112,938	22.5%	4,256	+3.8%
Trade payables	(120,125)	(20.2)%	(137,238)	(27.3)%	17,113	-12.5%
Contract liabilities	(102,948)	(17.3)%	(46,156)	(9.2)%	(56,792)	+123.0%
Other current assets	54,337	9.1%	30,434	6.1%	23,903	+78.5%
Current provisions for risks and charges	(11,380)	(1.9)%	(12,679)	(2.5)%	1,299	-10.2%
Other current liabilities	(26,370)	(4.4)%	(27,492)	(5.5)%	1,122	-4.1%
Net working capital	**(2,713)**	**(0.5%)**	**19,254**	**3.8%**	**(21,967)**	**-114.1%**

Net working capital as at 31 December 2021 was negative for €2,713 thousand, against €19,254 thousand as at 31 December 2020, showing a decrease of €21,967 thousand.

(€'000)	31 December				Change	
	2021	% of total assets	2020	% of total assets	2021 vs. 2020	2021 vs. 2020%
Trade receivables	18,310	3.1%	17,233	3.4%	1,077	+6.2%
Contract assets	117,194	19.7%	112,938	22.5%	4,256	+3.8%
Inventories	68,269	11.5%	82,214	16.4%	(13,945)	-17.0%
Trade payables	(120,125)	(20.2)%	(137,238)	(27.3)%	17,113	-12.5%
Contract liabilities	(102,948)	(17.3)%	(46,156)	(9.2)%	(56,792)	+123.0%
Net trade working capital	**(19,300)**	**(3.2)%**	**28,991**	**5.8%**	**(48,291)**	**-166.6%**

At 31 December 2021, trade net working capital was negative for €19,300 thousand compared to €28,991 thousand as at 31 December 2020, showing a decrease of €48,291 thousand, mainly due to the increase in cash generation linked to the advances received on new orders.

(€'000)	31 December				Change	
	2021	% of total assets	2020	% of total assets	2021 vs. 2020	2021 vs. 2020%
Raw materials and consumables	8,539	1.4%	6,121	1.2%	2,418	+39.5%
Work in progress and semi-finished products	31,760	5.4%	45,123	9.0%	(13,363)	-29.6%
Finished products	27,970	4.7%	30,970	6.2%	(3,000)	-9.7%
Inventories	**68,269**	**11.5%**	**82,214**	**16.4%**	**(13,945)**	**-17.0%**

The balance of inventories as at 31 December 2021 was €68,269 thousand, a decrease of €13,945 thousand compared to 31 December 2020.
Work in progress and semi-finished products refer to those orders whose contract with the customer has still not been finalised at the close of the year. The decrease recorded between 31 December 2020 and 31 December 2021, equal to €13,363 thousand, reflects the progressive increase in backlog.
Inventories of finished products as at 31 December 2021 were €27,970 thousand, a decrease of €3,000 thousand compared to 31 December 2020. Inventories of pre-owned boats include yachts already sold at the closing date of the year to be delivered in the following months for a value of €12,729 thousand.

Net financial position

(€'000)		31 December 2021	31 December 2020	Change
A	Cash	141,272	94,359	46,913
B	Cash equivalents	–	–	–
C	Other current financial assets	317	647	(330)
D	**Liquidity (A + B + C)**	**141,589**	**95,006**	**46,583**
E	Current financial debt	(3,824)	(2,560)	(1,264)
F	Current portion of non-current financial debt	(29,651)	(25,872)	(3,779)
G	**Current financial indebtedness (E + F)**	**(33,475)**	**(28,432)**	**(5,043)**
H	**Net current financial indebtedness (G + D)**	**108,114**	**66,574**	**41,540**
I	Non-current financial debt	(69,108)	(62,745)	(6,363)
J	Debt instruments	–	–	–
K	Non-current trade and other payables	–	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(69,108)**	**(62,745)**	**(6,363)**
M	**Total financial indebtedness (H+L)**	**39,006**	**3,829**	**35,177**

The net financial position of the Group as at 31 December 2021 shows a net cash equal to €39,006 thousand, compared to a net cash equal to €3,829 thousand as at 31 December 2020. Compared to the same period of the previous year, the net financial position shows an improvement equal to €35,177 thousand, thanks to the strong cash generation from operating activities, linked to the growth in revenues and to the advances related to the robust collection of new orders, despite the presence of significant investments made in 2021 and the payment of dividends.
Cash as at 31 December 2021 were equal to €141,272 thousand, an increase of €46,913 thousand compared to 31 December 2020. As at 31 December 2021, the Group also has unused bank credit lines of €130,503 thousand[13].

[13] *Not including lines of credit for reverse factoring and confirming.*

Among financial liabilities, lease liabilities (included pursuant IFRS 16) were equal to €4,819 thousand, of which €3,417 thousand non-current and €1,402 thousand current. The breakdown of bank debt shows the increased weight of the non-current component, following the disbursement of a five-year loan for an amount of €20 million at the end of the first half and the refinancing of certain lines of credit in the third quarter, with a consequent lengthening of maturities.

Reclassified statement of cash flows

(€'000)	31 December 2021	31 December 2020	Change
EBITDA	94,627	69,236	25,391
Taxes paid	(23,124)	(11,288)	(11,836)
Change in inventories	13,945	(19,903)	33,848
Change in net contract assets and liabilities	52,536	1,665	50,871
Change in trade receivables and advances to suppliers	(7,643)	1,648	(9,291)
Change in trade payables	(17,113)	(14,951)	(2,162)
Change in provisions and other assets and liabilities	(15,400)	19,592	(34,992)
Operating cash flow	**97,828**	**45,999**	**51,829**
Change in non-current assets (investments)	(49,213)	(30,821)	(18,392)
Business acquisitions and other changes	(411)	(251)	(160)
Free cash flow	**48,204**	**14,927**	**33,277**
Interest and financial charges	(1,353)	(2,187)	834
Other financial cash flows and changes in equity	(11,674)	152	(11,826)
Change in net financial position	**35,177**	**12,892**	**22,285**
Net financial position at the beginning of the period	3,829	(9,063)	12,892
Net financial position at the end of the period	39,006	3,829	35,177

Equity

(€'000)	31 December 2021	31 December 2020
Share capital	34,539	34,500
Reserves	143,492	116,738
Group profit	51,007	34,508
Group equity	**229,038**	**185,746**
Equity attributable to non-controlling interests	103	(355)
Equity	**229,141**	**185,391**

As at 31 December 2021, the Parent Company's share capital amounted to €34,539 thousand, fully paid-in, and consisted of 34,539,268 ordinary shares, increased compared to 31 December 2020 due to the subscription of the capital increase to service the 2020 Stock Option Plan for 39,268 shares in December 2021. The share capital was also subsequently increased in 2022 and, as at 28 February 2022, consists of 34,594,172 shares.
On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo had in fact approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum number of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan.
On 24 September 2020, the Company initiated the share buyback program based on the authorisation resolution approved by the Ordinary General Meeting of Shareholders on 31 August 2020. As a result of share purchases since the inception of the program, as at 31 December 2021, the Company held 58,666 treasury shares, unchanged from 31 December 2020, representing 0.170% of the subscribed and paid-in share capital. In accordance with the terms of the above resolution, the purchase program terminated on 28 February 2022.
For a comprehensive description of the changes in Equity, please refer to the appropriate table in the financial statements and the notes to the financial statements.

operating performance of the parent company Sanlorenzo S.p.A.

ECONOMIC PERFORMANCE OF SANLORENZO S.P.A.

(€'000)	Year ended 31 December				Change	
	2021	% Net Revenues New Yachts	2020	% Net Revenues New Yachts	2021 vs. 2020	2021 vs. 2020%
Net Revenues New Yachts	**533,115**	**100.0%**	**413,258**	**100.0%**	**119,857**	**+29.0%**
Net revenues from pre-owned boats, maintenance and other services	70,696	13.3%	50,920	12.3%	19,776	+38.8%
Other income	4,873	0.9%	5,004	1.2%	(131)	-2.6%
Operating costs	(523,439)	(98.2)%	(403,096)	(97.5)%	(120,343)	+29.9%
Adjusted EBITDA	**85,245**	**16.0%**	**66,086**	**16.0%**	**19,159**	**+29.0%**
Non-recurring costs	(916)	(0.1)%	(1,399)	(0.3)%	483	-34.5%
EBITDA	**84,329**	**15.9%**	**64,687**	**15.7%**	**19,642**	**+30.4%**
Depreciation and amortisation	(20,643)	(4.0)%	(17,842)	(4.3)%	(2,801)	+15.7%
EBIT	**63,686**	**11.9%**	**46,845**	**11.4%**	**16,841**	**+36.0%**
Net financial expense	(770)	(0.1)%	(1,532)	(0.4)%	762	-49.7%
Adjustments to financial assets	(25)	(0.0)%	–	–	(25)	–
Pre-tax profit	**62,891**	**11.8%**	**45,313**	**11.0%**	**17,578**	**+38.8%**
Income taxes	(18,513)	(3.5)%	(11,316)	(2.8)%	(7,197)	+63.6%
Net profit	**44,378**	**8.3%**	**33,997**	**8.2%**	**10,381**	**+30.5%**

Net Revenues New Yachts of the Parent Company for 2021 were equal to €533,115 thousand, up 29.0% compared to €413,258 thousand reported in 2020.
Operating costs were equal to €523,439 thousand, in percentage of Net Revenues New Yachts 98.2%, up by 29.9% compared to €403,096 thousand in 2020.
Adjusted EBITDA was equal to €85,245 thousand, up by 29.0% compared to the €66,086 thousand reported in 2020, and equal to 16.0% of Net Revenues New Yachts.
Also considering non-recurring items, equal to €916 thousand, relating to the non-monetary costs of the share plans and the expenses incurred because of COVID-19, EBITDA was equal to €84,329 thousand, equal to 15.9% of the Net Revenues New Yachts, marking an increase of 30.4% (€19,642 thousand) compared to 2020.

Amortisation/depreciation, amounting to €20,643 thousand, increased by 15.7% on 2020 as the investments made in previous years have been coming on stream.
EBIT was equal to €63,686 thousand, an increase of 36.0% compared to the previous year, representing 11.9% of Net Revenues New Yachts.
Net financial expense amounted to €770 thousand, down by €762 thousand compared to 2020, due to the improved conditions applied to the Company by financial institutions and the positive refinancing of some credit lines.
The pre-tax profit for the year reached €62,891 thousand, increasing by €17,578 thousand, from €45,313 thousand in 2020. Income taxes increased by €7,197 thousand, from €11,316 thousand in 2020 to €18,513 thousand in 2021.
In light of the above, the net profit for the year of Sanlorenzo S.p.A. came to € 44,378 thousand, equal to 8.3% of Net Revenues New Yachts, with an increase of €10,381 thousand compared to 2020, equal to 30.5%.

STATEMENT OF FINANCIAL POSITION OF SANLORENZO S.P.A.

(€'000)	31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
USES				
Net fixed capital	188,816	160,880	27,936	+17.4%
Net working capital	(7,533)	18,702	(26,235)	-140.3%
Net invested capital	**181,283**	**179,582**	**1,701**	**+0.9%**
SOURCES				
(Net financial position)	(45,001)	(12,811)	(32,190)	+251.3%
Equity	226,284	192,393	33,891	+17.6%
Total sources	**181,283**	**179,582**	**1,701**	**+0.9%**

Net fixed capital as at 31 December 2021 was equal to €188,816 thousand, a € 27,936 thousand increase on the end of 2020, mainly due to the investments made during the year, connected to both the expansion in productive capacity and the development of new models.
As at 31 December 2021, net working capital was negative for €7,533 thousand, compared to €18,702 thousand as at 31 December 2020, showing a decrease of €26,235 thousand, mainly due to the increase business volumes and cash generation linked to the advances received on new orders.

Net financial position as at 31 December 2021 showed a net cash position of €45,001 thousand and €12,811 thousand as at 31 December 2020.

(€'000)		31 December			
		2021	**of which intra-group**	**2020**	**of which intra-group**
A	Cash	134,314	–	91,288	–
B	Cash equivalents	–	–	–	–
C	Other current financial assets	6,490	6,179	5,405	4,758
D	**Liquidity (A + B + C)**	**140,804**	**6,179**	**96,693**	**4,758**
E	Current financial debt	(2,307)	–	(700)	–
F	Current portion of non-current financial debt	(28,401)	–	(24,991)	–
G	**Current financial indebtedness (E + F)**	**(30,708)**	**–**	**(25,691)**	**–**
H	**Net current financial indebtedness (G + D)**	**100,096**	**6,179**	**71,002**	**4,758**
I	Non-current financial debt	(65,095)	–	(58,191)	–
J	Debt instruments	–	–	–	–
K	Non-current trade and other payables	–	–	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(65,095)**	**–**	**(58,191)**	**–**
M	**Total financial indebtedness (H+L)**	**45,001**	**6,179**	**12,811**	**4,758**

Other current financial assets include loans granted to subsidiaries due within twelve months. In particular, the figure as at 31 December 2021 includes the loan granted to PN Sviluppo S.r.l. for the payment of the security deposit relating to the participation in the auction for the acquisition of Perini Navi S.p.A., repaid on 10 February 2022, and the cash pooling transactions with Sanlorenzo of the Americas LLC.

(€'000)	31 December 2021	31 December 2020	Change
EBITDA	84,329	64,687	19,642
Taxes paid	(21,643)	(10,857)	(10,786)
Change in inventories	14,369	(17,414)	31,783
Change in net contract assets and liabilities	51,199	210	50,989
Change in trade receivables and advances to suppliers	(6,981)	11,545	(18,526)
Change in trade payables	(17,570)	(19,569)	1,999
Change in provisions and other assets and liabilities	(11,134)	12,404	(23,538)
Operating cash flow	**92,569**	**41,006**	**51,563**
Change in non-current assets (investments)	(38,768)	(26,873)	(11,895)
Business acquisitions and other changes	(894)	(204)	(690)
Free cash flow	**52,907**	**13,929**	**38,978**
Interest and financial charges	(1,050)	(1,978)	928
Other financial cash flows and changes in equity	(19,667)	1,873	(21,540)
Change in net financial position	**32,190**	**13,824**	**18,366**
Net financial position at the beginning of the period	12,811	(1,013)	13,824
Net financial position at the end of the period	45,001	12,811	32,190

TABLE OF RECONCILIATION BETWEEN THE EQUITY AND PROFIT/(LOSS) FOR THE YEAR OF THE PARENT COMPANY AND CORRESPONDING CONSOLIDATED DATA

(€'000)	31 December 2021		31 December 2020	
	Equity	**Profit for the year**	**Equity**	**Profit for the year**
Parent Company's Equity and profit	**226,284**	**44,378**	**192,393**	**33,997**
Equity surplus of financial statements, including the profit for the year, in relation to the carrying amount of equity investments in subsidiaries	(1,602)	3,484	(4,288)	1,116
Valuation of equity investments in associated companies with equity method	50	4	46	33
Consolidation adjustments made for:				
- translation differences	*(605)*	–	*328*	–
- consistency of accounting standards adjustments	*4,911*	*3,485*	*997*	*905*
- other consolidation adjustments	–	–	*(3,730)*	*(1,643)*
Total pertaining to the Group	**229,038**	**51,351**	**185,746**	**34,408**
Equity and net profit/loss attributable to non-controlling interests	103	344	(355)	100
Total consolidated financial statements	**229,141**	**51,007**	**185,391**	**34,508**

main risks and uncertainties to which Sanlorenzo S.p.A. and the group are exposed

MARKET AND OPERATING RISKS

Risks connected to the trend in the international economic situation and its impact on the market in which the Group operates

The Group is exposed to the risks connected with the global economic-financial situation and the economic trend in the specific geographic end markets of its products, intended for a customer base of considerably wealthy individuals. Major economic events concerning the global economy or the economy of the countries in which the Group's customers reside, such as financial and economic crises, may involve a risk of customers losing their propensity to purchase or choose not to finalise the purchase of a yacht already ordered. In this case, the Group would be forced to look for a new buyer, retaining any amounts paid by the customer in the form of advances, in compliance with the contracts signed.
The Group's business model also makes provision for the possibility of withdrawing used yachts for trade-in. If the macroeconomic situation should deteriorate, the subsequent reduction in demand could have an adverse impact on the sale times and the sale value of used yachts, involving a reduction in the Group's total revenues and an increase in the inventories of finished products.

Risks connected with the inability to reach the Group's objectives, the competition and growth

The Group's growth objectives are tied primarily to the constant evolution of its products, an increase in productive capacity, consolidation and growth on the international markets and the ability to interpret customers' preferences and the new market trends.

The Group cannot ignore the fact that new products may be introduced to the market later than its competitors or that investments in research and development of new products may not deliver the expected results in terms of sales or may entail higher than expected costs. If the Group is unable to pursue an effective policy of constant product innovation, both in terms of the technological development of the products, and in terms of the response to market expectations, this could mean a drop in the Group's total revenues.

The pursuit of the strategy to increase the productive capacity also depends on an expansion of the existing shipyards, or the identification of new production areas to acquire. The Group cannot rule out that it might be unable to promptly and effectively complete ongoing projects or to identify and carry out adequate investments and that, where realised, said investments might not generate a sufficient return. In order to cope with the growth in orders, in view of the outsourcing of certain production phases, the Group cannot exclude the possibility that it may not be able to find contractors who are adequate for the volumes required or not adequately qualified.

As regards the strategy for consolidation and commercial expansion in international markets, the Group is exposed to the risk of growing operational complexities, which could result in the opening of new offices or branches or the incorporation of new companies for the coverage of the markets in which the Group is not present at the moment, and an increase in human resources to service these needs. The Group is also exposed to risks connected with operations on international markets, such as, inter alia, macroeconomic and financial risks, regulatory, market, geopolitical and social risks.

The luxury yacht market is also impacted by changes in customer tastes and preferences, as well as by changes in the life-styles in the different geographical areas in which the Group operates. If, in the future, the Group was unable to build yachts able to reflect the preferences of its customers, or to identify and anticipate the trends in the luxury goods market, a decrease in Group revenues might occur.

Risks connected with relations with suppliers and contractors, yacht quality and outsourcing

The Group uses suppliers and contractors to obtain components or services necessary to build its yachts. The Group adopts and imposes the highest production standards in order to ensure its customers delivery of yachts of the utmost quality and reliability. However, the Group cannot overlook the fact that suppliers and contractors may not observe the Group's quality standards, as well as the relevant regulations applied to them, may deliver defective raw materials or products or that do not meet the agreed technical specifications, or carry out works that do not conform to the technical specifications or state of the art, or may be unable to deliver the latter within the times established beforehand for any reason.

For this reason, the Group might be unable to meet the demand for its products or deliver defective or faulty final products, or be late in its deliveries, or receive requests to terminate contracts already in the process of being executed, requests for compensation for damages owing to liability for defective or hazardous products or for the payment of contractual penalties where set forth in the sale contracts, as well as requests to return yachts already delivered, with an increase in costs for the Group and possible damage to its reputation.

The Group may also receive requests for the replacement of defective components; in this case, the Group cannot rule out being involved in settlements in the future, with the payment of compensation, or in judicial proceedings in which it is defendant.

Risks relating to extraordinary events that may lead to interruptions in the activities and operations of the production plants

Sanlorenzo is exposed to the risk of having to interrupt or suspend its production activities due to events out of its control, such as the revocation of permits and authorisations, natural catastrophes, epidemics. In consideration of the location of the Parent Company's shipyards, situated in proximity to waterways and water basins or on the sea, the latter is exposed to the risk that natural disasters (such as floods, river overflow, seaquakes) could compromise all or part of its operations.

The interdependence between the activities carried out at the Yacht Division's shipyards (Ameglia, Viareggio, Massa), also involves a risk that the event, which stunts the activities of one of the shipyards, may have repercussions for the activities of the other shipyards, with a subsequent impact on overall production.

The restoration of the facilities following prejudicial extraordinary events could cause an increase in costs, the incurring of potential losses, as well as the need to modify the Group's investments plan.

Risks connected with the operating relationship with the brand representatives

The Group entrusts the distribution of its products to a small number of brand representatives and, to a lesser extent, to brokers that establish contact with potential customers and receive a commission in the event of a sale. The contracts stipulated with the brand representatives make provision for a right of distribution within the area assigned to each one and minimum purchase obligations. These obligations are fulfilled, if necessary, through stock purchases.

The Group is exposed to the risk of not reaching the sales volumes through brand representatives established beforehand, due to the termination of relationships held with said parties or their inability to achieve the pre-established objectives in the reference markets. The Group is also exposed to the risk of failing to adequately and promptly replace its brand representatives in the event of the termination of the associated contractual relations or a general deterioration in the sales performances of its distribution network.

Risks associated with changes in the reference regulatory framework

The Group is exposed to the risk that Group operations may be impacted by the issuing of new regulations or amendments to the legislation in force, which require the adoption of more stringent construction standards or, if necessary, regulatory changes regarding tax matters and on yacht sales (such as the VAT percentage, duty on imports by foreign countries, taxation on luxury goods in Italy or abroad, or embargoes) or on sailing (such as legislation regarding fuels, environmental impact and emissions). The Group is also exposed to risks related to fire safety legislation and accidents involving workers, as well as the change of environmental regulations.

FINANCIAL RISKS

Credit risk

It is noted that, given the type of products sold by the Group, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership. The yacht building contracts also provide for the Company's right to withdraw from the contract in the event of non-payment of any sum due within the established terms, with the consequent withholding by the Company of any amount collected, refunding to the defaulting party the amounts paid by the latter with the proceeds from the resale of the yacht to a new purchaser, net of expenses, interest and an amount for loss of earnings.
Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Group business, the Group has a prevention and monitoring system, using external sources and internal systems that allow preventive controls on customers' reliability and solvency.

Liquidity risk

Liquidity risk is represented by the possibility that a Group company or the Group may find itself in the position of not being able to meet its payment commitments, whether foreseen or unforeseen, due to a lack of financial resources, thus jeopardizing day-to-day operations or the financial position of the individual or the Group.
Liquidity risk may arise from any difficulty in obtaining timely funding to support operating activities and may manifest itself in the inability to obtain the necessary resources on economic terms.
Cash flows, funding requirements and liquidity are under the control of the Parent Company, with the aim of ensuring effective management of financial resources.
The Group has dealt with liquidity risk by reinvesting cash flows from operations, in addition to obtaining substantial lines of credit with a number of banks, the total amount of which is deemed more than sufficient to meet its financial requirements, also taking into account the effects of the seasonal nature of the sector on cash flows. The concentration of the collection of orders and deliveries in specific periods of the year, against the constant flow of payments to Group suppliers and contractors, has in fact, an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which short-term financial debt may be higher as a result of the lower flow of collections. The Group therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements.
As at 31 December 2021, the Group has bank credit lines to meet liquidity needs of €131,929 thousand [14], of which €130,503 thousand not used, in addition to €141,589 thousand of cash and against a total gross debt of € 102,583 thousand (including lease liabilities and the fair value of derivatives).

[14] *Not including lines of credit for reverse factoring and confirming.*

Exposure to the fluctuation in interest rates

The Group is exposed to changes in interest rates on its medium-long term floating rate debt instruments, entirely referring to the Euro zone. The management of interest rate risk is consistent with established practice over time aimed at reducing the risk of volatility in interest rates and achieving an optimal mix between variable and fixed rates in the structure of loans, mediating fluctuations in market interest rates in order to pursue, at the same time, the objective of minimising financial expense.

The Group manages the risk of interest rate fluctuations through derivative hedging instruments, such as interest rate swaps or interest rate caps with financial counterparties of primary standing.

Exposure to the fluctuation in exchange rates

The Group's exposure to foreign exchange risk is limited, as the Euro is the currency primarily used for the sale of yachts. The residual cases of sales of yachts in other currencies concern contracts signed by the subsidiary Sanlorenzo of the Americas denominated in US dollars.

The Group manages the risks of changes in foreign exchange rates on US dollar sales through its foreign currency sales pricing policy and through derivative financial instruments. In particular, when setting the sale price in foreign currency, the Group, starting from its own margin objectives in Euro, usually applies the exchange rate in force on the date of stipulation of the contract and start of construction of the vessel, increased by the financial component (cost of carry) connected with the expected timing of receipts from the sale. On these maturities, the Group carries out hedging transactions through derivative instruments, typically forwards or other types of forward sale with financial counterparties of primary standing.

As far as costs are concerned, as production is carried out in Italy with Italian suppliers and contractors, costs in currencies other than the Euro are residual and sporadic, and therefore no hedging operations are carried out.

Risks related to disputes and tax audits

The Parent Company is party to some judicial or arbitration proceedings regarding the normal performance of its ordinary activities, which may give rise to obligations for it to make payments, also in the form of compensation. As far as the Company is aware, these proceedings are not, in any case, able to generate significant unfavourable results for the Company; however, an unfavourable outcome to these disputes cannot be ruled out. This scenario could have negative effects on the Group's economic, equity and financial position.

At the date of approval of this Annual Financial Report, the following had been issued to the Parent Company:

- two assessment notices regarding direct taxes and VAT relating to the tax years 2013 and 2014 as a result of the tax audits carried out by the tax authority of the region of Liguria for said tax periods; the Company took steps to arrange its defence at judicial and administrative proceedings, and, in regard to the tax year 2013, obtained a favourable judgement from the tax commission of the province of Genoa on the main findings concerning the VAT. With the notification of the appeal, the tax authority of the region of Liguria started the procedure before the regional tax commission;
- a formal invitation to join the tax audit conclusions for direct taxes and VAT in 2015, following the conclusion of audits carried out by the tax authority of the region of Liguria. In 2021, the company received a notice of assessment to which it appealed within the time limits before the Provincial Tax Commission of Genoa;
- a formal notice of findings for direct taxes and VAT in 2016, following the conclusion of audits carried out the tax authority of the region of Liguria.

The Company has a provision for risks and charges of €3,320 thousand in place as at 31 December 2021.

For more details regarding administrative, judicial and arbitration proceedings in which the Group is a party, please refer to the associated notes to the Consolidated Financial Statements and the Separate Financial Statements contained in this financial report.

information on the non-financial statement

In accordance with the provisions of Article 5, paragraph 3, letter b, of Italian Legislative Decree 254/2016, the Company has prepared the consolidated non-financial statement that constitutes a separate report.
The 2021 non-financial statement, prepared according to the "GRI Standards" and approved by the Board of Directors on 10 March 2022, can be found on the Company's website www.sanlorenzoyacht.com in the "Responsible development" section.

research and development activities

Research and development activities play a central role in the Group's business model and aim at creating products with a high innovative content from a design, technology and environmental sustainability perspective, able to meet the needs of its customers.

(€'000)	31 December				Change	
	2021	% Net Revenues New Yachts	2020	% Net Revenues New Yachts	2021 vs. 2020	2021 vs. 2020%
Internal costs	1,977	0.4%	1,904	0.4%	73	+3.8%
External costs	4,192	0.7%	3,539	0.8%	653	+18.4%
Costs of research and development activities	**6,169**	**1.1%**	**5,443**	**1.2%**	**726**	**+13.3%**

For the year ended as at 31 December 2021, total spending, including costs and investments incurred by the Group for research and development activities, primarily relating to projects for new models of yachts and superyachts, came to €6,169 thousand, marking an increase of €726 thousand on 2020, representing 1.1% of Net Revenues New Yachts.
For further details on research and development activities, please refer to the consolidated non-financial statement, available on the Company's website www.sanlorenzoyacht.com in the "Responsible development" section.

human resources

As at 31 December 2021, Sanlorenzo Group had a workforce of 597 employees, of which 90.3% at the Parent Company.

	31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
Sanlorenzo S.p.A.	539	476	63	+13.2%
Bluegame S.r.l.	38	26	12	+46.2%
PN VSY S.r.l.	6	–	6	–
Sanlorenzo of the Americas LLC	11	10	1	+10.0%
Sanlorenzo Baleari SL	3	1	2	+200.0%
Group employees	**597**	**513**	**84**	**+16.4%**

By category, white collar workers recorded the largest increase during the period, with an increase of 79 staff members.

	31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
Managers	36	32	4	+12.5%
White collars	471	392	79	+20.2%
Blue collars	90	89	1	+1.1%
Group employees	**597**	**513**	**84**	**+16.4%**

The distribution by geographic area saw the largest growth in Italy, which accounted for 97.7% of Group employees as at 31 December 2021.

	31 December		Change	
	2021	2020	2021 vs. 2020	2021 vs. 2020%
Italy	583	502	81	+16.1%
Rest of Europe	3	1	2	+200.0%
United States	11	10	1	+10.0%
Group employees	**597**	**513**	**84**	**+16.4%**

corporate governance

Sanlorenzo, a company listed on the segment Euronext STAR Milan of Borsa Italiana, adopted a traditional corporate governance model constructed in compliance with the regulatory provisions and the recommendations of the Corporate Governance Code for listed companies approved by the Corporate Governance Committee of Borsa Italiana S.p.A. which Sanlorenzo adheres to.
Sanlorenzo adopts the traditional management and control systems, pursuant to Articles 2380-bis et seq. of the Italian Civil Code, detailed below:

- the Shareholders' Meeting, ordinary and/or extraordinary, is responsible for resolving, among other things, on (i) the appointment and revocation of the members of the Board of Directors and the Board of Statutory Auditors as well as on their compensation; (ii) the approval of the financial statements and allocation of profits; (iii) amendments to the By-laws; (iv) the assignment of the independent audit engagement, based on a justified proposal of the Board of Statutory Auditors; (v) incentive plans;
- the Board of Directors holds a central role in the corporate organisation and it is responsible for the functions and the strategic and organisational guidelines, as well as for verifying the necessary controls are in place to monitor the performance of the Company and the Group. The Board of Directors has arranged for the internal setting up of the Control, Risks and Sustainability Committee, the Remuneration Committee, the Nomination Committee and the Related-Party Transactions Committee;
- the Board of Statutory Auditors shall oversee, among other things, compliance with the law and the By-laws, with the principles of correct corporate governance, and, above all, the adequacy of the organisational, management and accounting structure adopted by the Company and its proper functioning;
- the Independent Auditing Firm conducts the statutory audit. The independent auditors are appointed by the Shareholders' Meeting on the proposal of the Board of Statutory Auditors. The external auditor carries out its activity independently and autonomously.

Pursuant to Article 123 of Italian Legislative Decree 24 February 1998 No. 58 (Consolidated Law on Finance), the Company is required to draft an annual report on corporate governance and ownership structures, providing a general description of the governance system adopted by Sanlorenzo Group and information on the ownership structures, including the main governance procedures applied and the characteristics of the risk management and internal control system in relation to the financial disclosure process.
The aforementioned report, approved by the Board of Directors on 10 March 2022 is available on the Company's website www.sanlorenzoyacht.com, in the "Corporate Governance/Shareholders' Meeting" section.

intra-group transactions and transactions with related parties

On 9 November 2019, the Company's Board of Directors, following up on previous resolutions dated 24 October 2019, approved, in compliance with the "Regulation on related-party transactions" adopted by Consob by means of resolution no. 17221 of 12 March 2010 and subsequent amendments, the draft of the "Procedure governing related party transactions", which provides for the establishment within the Board of Directors of the Related Party Transactions Committee, set to become effective with the start of trading of the Company's shares on the screen-based market MTA organised and managed by Borsa Italiana S.p.A., subsequently approved definitively by the Board of Directors on 23 December 2019 and in force until 30 June 2021.
Following the additions and amendments to the "Regulation on related-party transactions" adopted by Consob with resolution no. 21624 of 10 December 2020, the Company's Board of Directors on 4 May 2021 approved the new "Procedure governing related party transactions", effective as at 1 July 2021.
Both procedures can be found on the Company's website (www.sanlorenzoyacht.com), in the "Corporate Governance" section.
It should be noted that transactions with related parties, including therein intra-group transactions, do not qualify as either atypical or unusual, as they fall under the normal course of business of Group companies. Said transactions were made at arm's length in consideration of the features of goods and services provided.
In the notes, the Company provides the information required pursuant to Article 154-ter of Italian Legislative Decree 24 February 1998 no. 58 (Consolidated Law on Finance) as indicated in Consob Regulation no. 17221 of 12 March 2010.

atypical and/or unusual transactions

Pursuant to Consob Communication no. DEM/6064293 of 28 July 2006, it should be noted that no atypical and/or unusual transactions were entered into, as defined in the Communication itself.

information on relevant non-eu companies

Sanlorenzo S.p.A., the parent company, directly controls Sanlorenzo of the Americas LLC, a company incorporated and regulated by US law and, therefore, falling under the definition of "Relevant non-EU company" pursuant to Consob resolution no. 16191/2007, and subsequent amendments.
With reference to said company, it should be noted that:

- Sanlorenzo of the Americas LLC drafts the accounting position for the purposes of drafting of the consolidated financial statements;
- Sanlorenzo S.p.A. acquired the by-laws as well as the composition and powers of the corporate bodies;
- Sanlorenzo of the Americas LLC: i) provides the auditor of the parent company with the necessary information for carrying out the audit of the annual and interim accounts of said parent company; ii) possesses an appropriate administrative-accounting system for regularly sending to the management, the control body and the auditor of the parent company, the economic and financial data needed to draft the consolidated financial statements.

additional information

The Company is not subject to management and coordination activities pursuant to Articles 2497 et seq. of the Italian Civil Code, in consideration of the fact that the presumption set forth in Article 2497-sexies of the Italian Civil Code does not apply.
On 24 September 2020, the Company initiated the share buy-back program based on the authorisation resolution approved by the Ordinary Shareholders' Meeting of 31 August 2020. As a result of share purchases since the start of the program, as at 31 December 2021, the Company held 58,666 treasury shares, unchanged from 31 December 2020, representing 0.170% of the subscribed and paid-in share capital.
In accordance with the terms of the above resolution, the share buy-back program terminated on 28 February 2022.

significant events during the year

BLUEGAME EXTRAORDINARY SHAREHOLDERS' MEETING

The Shareholders' Meeting of Bluegame S.r.l. was held on 19 April 2021 which, at the extraordinary session, transferred the company's registered office from Viareggio (LU) to Ameglia (SP). As a result of the increase in the volumes of the BGX line and considering the growth forecasts also connected with development of the BGM range, Bluegame started to carry out some production activities at the Sanlorenzo shipyards in Ameglia, signing for the purpose with the Parent Company a specific contract for services and use of spaces.

SANLORENZO ORDINARY SHAREHOLDERS' MEETING

On 21 April 2021, the Ordinary Shareholders' Meeting of Sanlorenzo S.p.A. was held on first call. Considering the persistence of the health emergency, participation in the Meeting was permitted exclusively through the designated shareholders' representative. The Company's Meeting approved the financial statements as at 31 December 2020 and the proposal for the allocation of profit which made provision, inter alia, for the distribution of a dividend of €0.30 per share, payable from 28 April 2021. The Shareholders' Meeting also approved the first section of the Report on Remuneration relating to the remuneration policy and expressed its favourable opinion on the second section.

MEDIUM/LONG-TERM LOAN WITH INTESA SANPAOLO

On 30 June 2021, Sanlorenzo signed a loan agreement with Intesa Sanpaolo S.p.A. for €20 million from the circular economy ceiling that Intesa Sanpaolo has set aside for projects that meet specific criteria of respect for the environment and reduction in consumption.
The loan, with a duration of 5 years, shall support investments by Sanlorenzo to develop and introduce innovations and cutting-edge technologies in the yachting sector, strongly inspired by sustainability principles.

ACQUISITION OF VIAREGGIO SUPERYACHTS BUSINESS UNIT

On 8 July 2021, PN VSY S.r.l., a wholly-owned subsidiary of Sanlorenzo S.p.A., completed the acquisition of the Viareggio Superyachts S.r.l. business unit in liquidation, including a building located in Viareggio near the Sanlorenzo shipyards, as well as plants and equipment, for a value of approximately €4.8 million (net of transaction costs). The building, with a production area of approximately 3,000 square metres, is used for the fitting out of metal superyachts, notably of the new X-Space line.

PARTNERSHIP WITH SIEMENS ENERGY FOR THE DEVELOPMENT OF TECHNOLOGICAL SOLUTIONS TO REDUCE THE ENVIRONMENTAL IMPACT OF THE YACHTS

On 6 September 2021, Sanlorenzo has announced the signing with Siemens Energy of an exclusive partnership for the joint development of solutions for the integration of fuel cell technology in the yachting sector from 24 to 80 metres and two contracts for the development and the purchase of new generation diesel electric and hybrid systems. The agreement will enable the creation of new technologies aimed at significantly reducing the impact of yacht usage on the marine ecosystem and will develop on three areas:

- methanol fuel cell systems for generating electricity on board, which allow the vessel to generate electricity when the engines and generators are off, significantly extending the time spent at anchor and manoeuvring without consuming diesel fuel. The first prototype will be installed on a 50 metres Sanlorenzo hybrid superyacht currently in advanced design, whose delivery is expected in 2024;
- new-generation diesel electric propulsion systems aimed at reducing GHG emissions and fuel consumption, with a significant evolution in terms of energy efficiency and reduction of overall dimensions, intended for application on yacht models over 50 metres. The first signed order covers the application on three Sanlorenzo units from 50 to 70 metres;
- new-generation hybrid propulsion systems designed to reduce GHG emissions and fuel consumption, with a significant optimisation in terms of size, costs and ease of use, intended for use on yachts below 50 metres. The first order signed is for application on the new SD90S model.

ACQUISITION OF A FACILITY IN LA SPEZIA

On 22 July 2021, Sanlorenzo was the winner of an auction for a property complex of approximately 7,000 square metres located in La Spezia adjacent to the Company's shipyards, to be used as a warehouse due to the increased production needs of the Superyacht Division. The purchase and payment of the price, equal to approximately €1.5 million (net of transaction costs), were completed on 17 September 2021.

PARTNERSHIP WITH CRÉDIT AGRICOLE LEASING ITALIA FOR THE LEASE PURCHASE OF YACHTS

On 20 September 2021, Sanlorenzo and Crédit Agricole Leasing Italia announced the terms of an important partnership thanks to which Sanlorenzo will indicate Crédit Agricole Leasing Italia as partner for the lease purchase of yachts and superyachts to its European clients, providing them a tailor-made service and dedicated conditions. This partnership is part of the strengthening of the offer of "High-End Services", the division created in 2020, entirely focused on the proposal of an exclusive range of 360° services intended only for Sanlorenzo customers: customised leasing/financing, Sanlorenzo Charter Fleet, Sanlorenzo Timeless (refit and restyling service) and crew training at the Sanlorenzo Academy.

ACQUISITION OF A FACILITY IN MASSA

On 17 May 2021, in the context of an arrangement with creditors, Sanlorenzo was the winner of an auction for the acquisition of an industrial facility located in Massa, near the Company's shipyards, consisting of two warehouses for a total area of approximately 15,000 square metres, an office building and outdoor areas for around 11,000 square metres, at a total price of around €11.6 million (net of transaction costs). The facility, whose purchase was completed on 30 September 2021, will be used for the production of semi-finished composite products in the first months of 2022, following certain revamping works.

AUCTIONS FOR THE ACQUISITION OF PERINI NAVI ASSETS

On 15 February 2021, Ferretti Group and Sanlorenzo announced their intention to create a NewCo based on a 50:50 joint venture, in order to present an offer for the acquisition of Perini Navi, declared bankrupt by the Court of Lucca on 29 January 2021. The company – Restart S.p.A. – was set up on 28 April 2021 to participate in the auction for the sale of certain assets of Perini Navi, convened following the confirmation on 30 April 2021 of the company's bankruptcy by the Florence Court of Appeal and the subsequent awarding of the shipyard in Turkey.

The first auction, held on 30 July 2021, concerning the two shipyards in Viareggio and La Spezia, the Perini brand, a yacht under construction and other assets, had a total starting price of €62.5 million. The second auction, held on 30 September 2021, had a total starting price of €56.25 million, with the possibility to submit bids with a 5% reduction of the starting price.

Based on the results of the assessments carried out, while reconfirming the interest in Perini Navi, Ferretti Group and Sanlorenzo decided not to take part in these auctions, for which no bids were submitted.

On 26 October 2021, Ferretti Group and Sanlorenzo, through Restart S.p.A., presented an irrevocable proposal to the official receiver of the Court of Lucca for the purchase of the entire corporate complex of Perini Navi.

Following the submission of the offer, a third auction was called on 2 November 2021 with a starting price of €47 million. The examination of the offers and the tender were held on 22 December 2021 and the assets were awarded to a third bidder for a total price of €80 million.

significant events after year-end

CONFLICT BETWEEN RUSSIA AND UKRAINE

In view of the conflict between Russia and Ukraine, the Company discloses that the backlog as at 28 February 2022 includes exposure to Russian national customers on three superyacht sales contracts, accounting for 7.7% of the total spread over three years. It should be noted that these are subjects not affected by international sanctions, whose payments are regular, and that to date no order has been cancelled.
The Group constantly monitors the situation and updates on the international sanctions, in line with the rigorous Know Your Customer procedures and Sanctions Compliance Program adopted by all Group companies.
Moreover, the Group has no suppliers located in the area affected by the conflict.

business outlook

The strong acceleration of the yachting sector continues to be supported, in the luxury segment, by the constant growth of Ultra High Net Worth Individuals (UHNWIs), in terms of both number and wealth, particularly in North America and APAC. The expansion of the potential client base is combined with a constantly increasing interest in yachting, driven by the renewed attention to well-being, and the pursuit of freedom and safety, needs that a yacht can meet..
Sanlorenzo continues to benefit from the unique characteristics of its business model: high-end brand positioning, exclusive yachts, always at the forefront of innovation, rigorously made-to-measure, close liaison with art and design, distribution through a limited number of brand representatives, flexible cost structure.
The Group's strategy, aimed at creating value responsibly, is based on the following development guidelines.

Increase penetration in North America and APAC
Areas with strong potential arising from the expected high growth of UHNWIs, North America and APAC are key markets for the Group's future development. In the United States through its subsidiary Sanlorenzo of the Americas with yachts designed and built for the American market, Sanlorenzo intends to strengthen its presence with dedicated sales and marketing initiatives and local after-sale service. This direct distribution model may be replicated in APAC in the medium-term, with the establishment of Sanlorenzo APAC.

Evolution of superyacht selling prices
In light of an unprecedented 2021 and a growing market sector, in the Superyacht Division, Sanlorenzo intends to progressively align selling prices of superyachts to those of the best North-European shipyards, particularly in the segment above 500GT.

Constant expansion of the product portfolio, with the introduction of innovations and sustainable technologies
The robust product pipeline includes the launch of three new ranges, through which Sanlorenzo enters new high-potential segments with proposals offering novel functions, strongly inspired by sustainability criteria. The introduction of innovations and technologies aimed at reducing the environmental impact of yachts is at the core of Research and Development activities, focused today on the marine use of fuel cells, an activity in strong acceleration thanks to the exclusive agreement with Siemens Energy.

Enhancement of High-End Services offering

Consistent with the philosophy of pursuing the utmost excellence and with its market positioning, the Group is strengthening the offer of High-End Services, a division created in 2020, entirely focused on the proposal of a package of services intended exclusively for Sanlorenzo customers, including tailor-made leasing and financing, the world's first monobrand charter program (Sanlorenzo Charter Fleet), maintenance, restyling and refitting services (Sanlorenzo Timeless) and crew training at the Sanlorenzo Academy. The strengthening of the value proposition in services aims to increase the loyalty of existing customers and attract new ones, with a 360° made-to-measure approach, in which the excellence of manufacturing, high quality, innovation and design is combined with the exclusivity of the relationship with the customer.

GUIDANCE FOR 2022

The positive dynamics of the order portfolio continued in 2022, with an order intake in the first two months of the year equal to €181,445 thousand, which led the backlog to reach €1,097,077 thousand as at 28 February 2022, covered for 91% by final clients.
The amount of the backlog referred to 2022, equal to €622,584 thousand, covers about 86% of Net Revenues New Yachts envisaged for the current year. Furthermore, the visibility on subsequent financial years is also significant, totalling €474,493 thousand, fostered by an increased incidence of larger yachts with deliveries until 2025.
In light of the consolidated results as at 31 December 2021 and taking into account the subsequent evolution of order collection, while maintaining constant monitoring of the evolution of the general environment, the Company expects double-digit growth of the main metrics for 2022 and discloses the following guidance[15].

(€ millions and margins in % of Net Revenues New Yachts)	2020 Actual	2021 Actual	2022 Guidance	Change 2022 vs. 2021[16]
Net Revenues New Yachts	457.7	585.9	700 – 740	+23%
Adjusted EBITDA	70.6	95.5	122 – 130	+32%
Adjusted EBITDA margin	15.4%	16.3%	17.4% – 17.6%	+120 bps
Group net profit	34.5	51.0	66 – 70	+34%
Investments	30.8	49.2	45 – 48	-6%
Net financial position	3.8	39.0	62 – 66	+25

[15] *On a like-for-like basis and excluding potential extraordinary transactions.*
[16] *Calculated on the average of the guidance interval.*

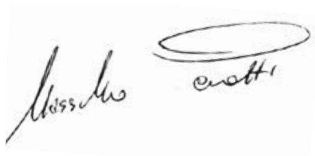
proposed approval of the financial statements and allocation of the profit for the year

The Board of Directors submits for approval the financial statements as at 31 December 2021 and proposes that the Shareholders' Meeting approve:

a) the financial statements of Sanlorenzo S.p.A., which show a net profit for the year equal to €44,378,158;
b) a proposal to allocate the net profit for the year as follows:
    - to legal reserve for €2,218,908;
    - to the Shareholders as dividend in the amount of €0.60 for each of the shares in circulation on the ex dividend date, excluding treasury shares held at that date;
    - to the extraordinary reserve, the residual profit.
c) to reduce the restriction on the extraordinary reserve to the maximum amount of €7,850,000, pursuant to Article 110, paragraph 8, of Italian Law Decree no. 104 of 14 August 2020, converted with amendments by the Italian Law no. 126 of 13 October 2020.

Ameglia, 10 March 2022

On behalf of the Board of Directors
Chairman and Chief Executive Officer
Mr. Massimo Perotti



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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	134,988	112,491
Goodwill	14	8,667	8,667
Intangible assets with a finite useful life	15	45,276	36,434
Equity investments and other non-current assets	17	446	412
Net deferred tax assets	11	5,963	6,538
Total non-current assets		**195,340**	**164,542**
Current assets			
Inventories	18	68,269	82,214
Contract assets	19	117,194	112,938
Other financial assets, including derivatives	23	317	647
Trade receivables	20	18,310	17,233
Other current assets	21	54,337	30,434
Cash and cash equivalents	22	141,272	94,359
Total current assets		**399,699**	**337,825**
TOTAL ASSETS		**595,039**	**502,367**

(€'000)	Notes	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	24	34,539	34,500
Share premium reserve	24	77,197	76,549
Other reserves	24	66,295	40,189
Profit/(loss) for the period		51,007	34,508
Shareholders' equity attributable to shareholders of the Parent Company		**229,038**	**185,746**
Equity attributable to non-controlling interests	24	103	(355)
TOTAL EQUITY		**229,141**	**185,391**
Non-current liabilities			
Non-current financial liabilities	25	69,108	62,745
Non-current employee benefits	28	1,058	845
Non-current provisions for risks and charges	29	1,434	1,389
Total non-current liabilities		**71,600**	**64,979**
Current liabilities			
Current financial liabilities, including derivatives	25	33,475	28,432
Current provisions for risks and charges	29	11,380	12,679
Trade payables	26	120,125	137,238
Contract liabilities	19	102,948	46,156
Other current liabilities	27	22,638	18,366
Other current tax payables	11	2,146	2,105
Net income tax liabilities	11	1,586	7,021
Total current liabilities		**294,298**	**251,997**
TOTAL LIABILITIES		**365,898**	**316,976**
TOTAL EQUITY AND LIABILITIES		**595,039**	**502,367**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(€'000)	Notes	31 December 2021	31 December 2020
Revenues	8	687,970	548,803
Commissions	8	(19,925)	(21,335)
Net revenues		**668,045**	**527,468**
Other income	9	5,488	5,728
TOTAL NET REVENUE AND INCOME		**673,533**	**533,196**
Increases in assets for internal work	9	1,978	1,904
Raw materials, consumables and finished products	9	(247,780)	(219,798)
Outsourcing	9	(198,750)	(171,826)
Change in work in progress, semi-finished and finished products	9.18	(18,765)	23,457
Other service costs	9	(54,146)	(45,722)
Personnel expenses	9	(45,527)	(37,992)
Other operating costs	9	(5,598)	(3,931)
Accruals to provisions for risks and charges	9.29	(10,318)	(10,052)
Total operating costs		**(578,906)**	**(463,960)**
OPERATING RESULT BEFORE AMORTISATION/DEPRECIATION		**94,627**	**69,236**
Amortisation, depreciation and impairment of assets	9,13,15	(22,440)	(20,208)
OPERATING RESULT		**72,187**	**49,028**
Financial income	10	193	13
Financial expenses	10	(1,353)	(2,187)
Net financial income/(expenses)		**(1,160)**	**(2,174)**
Share of profit/(loss) of equity-accounted investees, net of tax	17	4	34
Adjustments to financial assets	17	(25)	–
PRE-TAX PROFIT		**71,006**	**46,888**
Income taxes	11	(19,655)	(12,480)
PROFIT/(LOSS) FOR THE PERIOD		**51,351**	**34,408**
Attributable to:			
Shareholders of the Parent Company		51,007	34,508
Non-controlling interests		344	(100)

continue

(€'000)	31 December 2021	31 December 2020
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be subsequently reclassified to net profit		
Actuarial change in provisions for employee benefits	22	53
Income taxes relating to actuarial changes in provisions for employee benefits	(6)	(15)
Total	**16**	**38**
Other comprehensive income which will be subsequently reclassified to net profit		
Changes in the cash flow hedge reserve	(1,465)	451
Income taxes related to changes in the cash flow hedge reserve	352	(108)
Change in the translation reserve		
Total	**(1,113)**	**343**
Other comprehensive income for the year, net of tax effect	**(1,097)**	**381**
COMPREHENSIVE NET PROFIT FOR THE PERIOD	**50,254**	**34,789**
Attributable to:		
Shareholders of the Parent Company	49,910	34,889
Non-controlling interests	344	(100)

(in €)	Notes	31 December 2021	31 December 2020
Group basic earnings per share	12	1.48	1.00
Group diluted earnings per share	12	1.47	1.00

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€'000)	Share capital	Share premium	Other reserves	Profit for the period	Equity attributable to the owners of the Parent Company	Equity attributable to non-controlling interests	Total equity
Value as at 31 December 2019	**34,500**	**76,549**	**15,207**	**27,030**	**153,286**	**(2,455)**	**150,831**
Allocation of profit for the year	–	–	27,030	(27,030)	–	–	–
Adjustment IFRS FTA	–	–	(37)	–	(37)	–	(37)
Dividends distributed	–	–	–	–	–	–	–
Share buy-back	–	–	(899)	–	(899)	–	(899)
Other changes	–	–	(1,493)	–	(1,493)	2,200	707
Net profit for the period	–	–	–	34,508	34,508	(100)	34,408
Other comprehensive income	–	–	381	–	381	–	381
Value as at 31 December 2020	**34,500**	**76,549**	**40,189**	**34,508**	**185,746**	**(355)**	**185,391**
Allocation of profit for the year	–	–	33,977	(34,508)	(531)	(344)	(875)
Dividends distributed	–	–	(10,331)	–	(10,331)	–	(10,331)
Share buy-back	–	–	–	–	–	–	–
Stock option exercise	39	648	(59)	–	628	–	628
Other changes	–	–	3,616	–	3,616	458	4,074
Net profit for the period	–	–	–	51,007	51,007	344	51,351
Other comprehensive income	–	–	(1,097)	–	(1,097)	–	(1,097)
Value as at 31 December 2021	**34,539**	**77,197**	**66,295**	**51,007**	**229,038**	**103**	**229,141**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€'000)	Notes	31 December 2021	31 December 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		51,351	34,408
Adjustments for:			
Depreciation of property, plant and equipment	9.13	16,064	13,604
Amortisation of intangible assets	9.15	6,376	6,604
Impairment on intangible assets and goodwill	14.15	–	–
Adjustments to financial assets (other equity investments)	17	21	(34)
Net financial expense	10	1,160	2,174
Gain on sale of property, plant and equipment		58	(46)
Impairment losses on trade receivables	20	–	–
Income taxes	11	19,655	12,480
Changes in:			
Inventories	18	13,945	(19,903)
Contract assets	19	(4,256)	(25,049)
Trade receivables	20	(1,077)	3,036
Other current assets	21	(23,903)	15,572
Trade payables	26	(17,113)	(14,951)
Contract liabilities	19	56,792	26,714
Other current liabilities	27	2,920	(1,226)
Accruals for risks and charges and employee benefits	28.29	(1,041)	3,904
Cash flow generated/(absorbed) by operating activities		**120,952**	**57,287**
Income taxes paid		(23,124)	(11,288)
Net cash flow generated/(absorbed) by operating activities		**97,828**	**45,999**
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received	10	193	13
Proceeds from sale of property, plant and equipment	13	135	258
Proceeds from disposal of intangible assets	15	–	–

continue

(€'000)	Notes	31 December 2021	31 December 2020
Change in other equity investments and other non-current assets	13,15,17	(684)	(522)
Acquisition of subsidiaries or business units, net of cash acquired	17	(55)	–
Acquisition of property, plant and equipment	13	(38,066)	(23,038)
Acquisition of intangible assets with a finite useful life	15	(11,147)	(7,783)
Net cash flow generated/(absorbed) by investing activities		**(49,624)**	**(31,072)**
CASH FLOW FROM FINANCING ACTIVITIES			
Financial interest and expense paid	10	(1,353)	(2,187)
Proceeds from the issue of share capital	24	687	–
Proceeds from loans	25	46,843	42,783
Loan repayments	25	(34,981)	(31,349)
Changes in other financial assets and liabilities including derivatives	23.25	1,994	5,831
New finance lease payables	25	1,537	4,229
Repayment of finance lease payables	25	(3,657)	(214)
Assumption of new loans	25	–	–
Other changes in equity	24	(2,030)	1,052
Share buy-back	24	–	(899)
Dividends paid	24	(10,331)	–
Net cash flow generated/(absorbed) by financing activities		**(1,291)**	**19,246**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**46,913**	**34,173**
Cash and cash equivalents at the beginning of the year		94,359	60,186
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**141,272**	**94,359**

notes to the consolidated financial statements

BASIS OF PREPARATION

1. Reporting entity

Sanlorenzo S.p.A. (the Company) is based in Italy. Its registered office is in Via Armezzone 3, Ameglia, in La Spezia. The Consolidated Financial Statements include the financial statements of the Company and its subsidiaries (collectively the "Group").
The Group is active primarily in the design, building and sale of yachts and pleasure boats in fibreglass, steel and aluminium together with all other materials. It also provides maintenance and charter services for all types of vessels, as well as services relating to these activities.

2. Basis of preparation

The Consolidated Financial Statements as at 31 December 2021, approved by the Company's Board of Directors on 10 March 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).
These Consolidated Financial Statements as at 31 December 2021 include the consolidated statement of the financial position, consolidated statement of profit and loss for the period and the other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity and the notes.
As regards the statement of financial position, the presentation format adopted provides for a distinction between current and non-current assets and liabilities, according to paragraphs 60 et seq. of IAS 1.
The presentation of the consolidated income statement adopts a classification of costs based on the type of expense.
The consolidated statement of cash flows was prepared based on the indirect method and is presented in compliance with IAS 7, classifying the financial flows between operating, investment and financing activities.
The details regarding the accounting standards adopted by the Group are specified in the paragraph "Accounting standards" of these Consolidated Financial Statements.
The Notes to the Consolidated Financial Statements were supplemented with the additional information required by Consob and the measures it issued in implementation of Article 9 of Italian Legislative Decree 38/2005 (Resolutions 15519 and 15520) of 27 July 2006 and Communication DEM/6064293 of 28 July 2006, pursuant to Article 78 of the Issuers' Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.
It should be noted that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication DEM/6064293 of 28 July 2006, the financial statements highlight significant relations with related parties in order to provide better information, and the income items deriving from non recurrent events or transactions are recognised, when significant, separately in the management comments and in the financial information sections.

3. Functional and presentation currency

These Consolidated Financial Statements are presented in Euro, which is the Parent Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Basis of measurement

These Consolidated Financial Statements have been prepared using the historical cost method, except for hedging derivatives which are measured at fair value at each reporting date.

5. Use of estimates and valuations

The preparation of annual Consolidated Financial Statements and notes thereto in accordance with the IAS/IFRS requires the directors to apply accounting standards that may sometimes be affected by complex and subjective judgements and estimates, based on past experience and assumptions deemed reasonable and realistic in the circumstances.
The application of these estimates and assumptions affects the reporting amounts in the financial statement, such as the statement of financial position, the statement of profit and loss, other comprehensive income, the statement of cash flows and the disclosures included herein. The final figures of the financial statement items for which the aforementioned estimates and assumptions were used, may differ from those that were actually realised due to the uncertainties that characterise the assumptions and the conditions on which the estimates are based. Estimates and assumptions are periodically reviewed and the effects of each change are reflected in the period in which the estimate revision is made, if such revision affects only the current period or also in the following periods if the revision affects current and future periods.
The captions most affected by directors' judgements and estimates and for which a change in the circumstances underlying the assumptions applied could have a significant impact on the Consolidated Financial Statements are summarised below.

Valutazioni

The management decisions that have the most significant effects on the amounts recognised in the financial statements concern:

- revenue recognition: whether revenue from contracts is recognised over time or at a point in time;
- investments accounted for using the equity method: to establish whether the Group exercises significant influence over an investee company;
- consolidation: whether the Group has de facto control over an investee.

For further details, please refer to the specific notes and the paragraph "Accounting standards" of these financial statements.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year concerns:

- revenue recognition;
- valuation of defined benefit obligations: main actuarial assumptions;
- recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- measurement of the bad debts provision for trade receivables and contract assets; key assumptions used to determine the expected credit losses.

For further details, please refer to the specific notes and the paragraph "Accounting standards" of these financial statements.

6. Significant accounting standards

In these Consolidated Financial Statements, the accounting standards and consolidation criteria adopted are consistent, except where indicated hereunder, with those used to prepare the Consolidated Financial Statements as at 31 December 2020, drafted for comparative purposes.

Amendment to IFRS 4 (deferral of IFRS 9)

On 25 June 2020, the IASB published an amendment referred to as "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from applying IFRS 9 to be extended until 1 January 2023.
The introduction of this amendment has no effect on these Financial Statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published "Interest Rate Benchmark Reform - Phase 2", which contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts;
- IFRS 16 Leases.

These amendments complement those made in 2019 ("IBOR - Phase 1") and focus on the effects on entities when an existing IBOR benchmark interest rate is replaced with a new benchmark rate as a result of financial reporting reform.
The introduction of this amendment has no effect on these financial statements.

Amendments to IFRS 16 – Covid 19 Related Rent Concessions beyond 30 June 2021

With this amendment, the IASB extends by one year the period of application of the amendment issued in 2020, which provided lessees the option to account for Covid-19-related rent reductions without having to assess through contract analysis whether the definition of lease modification in IFRS 16 was met. Therefore, lessees that applied this option in 2020 accounted for the effects of rent reductions directly in the statement of income on the effective date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies beginning 1 April 2021, and early adoption is permitted.
The introduction of this amendment has no effect on these financial statements.

PERFORMANCE FOR THE YEAR

7. Operating segments

The Sanlorenzo Group comprises the following operating divisions:

- Yacht Division;
- Superyacht Division;
- Bluegame Division.

The operating divisions have been identified in accordance with IFRS 8 as the components of the Group:

- that engage in business activities from which the Group earn revenues and incur expenses;
- whose operating results are periodically reviewed at the highest operational decision-making level of the entity for the purpose of making decisions regarding the resources to be allocated to the segment and assessing its performance;
- for which separate financial information is available.

In detail, the type of product is the primary basis for segmentation identified by the Group. In detail:

- the Yacht range refers to composite yachts of a length between 24 and 38 metres, sold under the Sanlorenzo brand;
- the Superyacht range refers to superyachts in aluminium and steel, more than 38 metres in length, sold under the Sanlorenzo brand;
- the Bluegame range refers to sports utility yachts less than 24 metres in length, sold under the Bluegame brand.

As allowed by IFRS 8.12, the Yacht, Superyacht and Bluegame product ranges are aggregated into one single operating segment as they have similar characteristics in terms of:

a. nature of the products, with differences that substantially depend on the size;
b. nature of production processes;
c. type or class of customers;
d. distribution methods and channels;
e. reference regulatory context;
f. basic contractual characteristics;
g. margins, with temporary differences linked to the timing of introduction of new products and / or specific marketing initiatives.

8. Revenue and commissions

(€'000)	31 December 2021	31 December 2020	Change
Revenues from contracts with customers	687,970	548,803	139,167
Commissions	(19,925)	(21,335)	1,410
Net revenues	**668,045**	**527,468**	**140,577**

Revenues from contracts with customers

Revenues from contracts with customers are earned on the sale of new and pre-owned boats, which are shown in the above table gross and net of the commissions paid to agents to finalise the sales contracts.
Revenues gross of commissions paid to intermediaries was equal, respectively, to €687,970 thousand as at 31 December 2021 and €548,803 thousand as at 31 December 2020. As at 31 December 2021, gross revenues increased by €139,167 thousand compared to the previous year.
A breakdown of revenues from contracts with customers by type is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Revenues from new yachts	605,079	476,354	128,725
Revenues from pre-owned yachts	77,423	67,082	10,341
Revenues from maintenance and other services	5,468	5,367	101
Revenues from contracts with customers	**687,970**	**548,803**	**139,167**

Revenues from new yacht sales include guarantee deposits from customers who cancelled their purchases and forfeited their advance to the Group, in accordance with the relevant contracts signed with the customers. They are recognised in the income statement and amounted to €107 thousand and €529 thousand for 2021 and 2020, respectively.
Revenues from pre-owned boats sales amounted to €77,423 thousand and €67,082 thousand for 2021 and 2020, respectively.
Revenues from maintenance services and sales of spare parts for all types of boats amounted to €5,468 thousand as at 31 December 2021 and €5,367 thousand as at 31 December 2020. Revenues from maintenance services and sales of spare parts are handled in specific orders received from customers and represent commitments different from those for yacht sales.

A breakdown of revenues from contracts with customers by product range is provided below:

(€'000)	31 December 2021	31 December 2020	Change
Yacht Division	435,501	373,150	62,351
Superyacht Division	207,895	146,376	61,519
Bluegame Division	44,574	29,277	15,297
Revenues from contracts with customers	**687,970**	**548,803**	**139,167**

The next table provides a breakdown of the revenues from contracts with customers by geographical area according to nationality of the owner customer.

(€'000)	31 December 2021	31 December 2020	Change
Italy	74,414	72,308	2,106
Europe – Other countries	311,376	205,948	105,428
USA	109,381	84,842	24,539
Americas – Other countries	52,608	30,364	22,244
APAC	97,831	116,769	(18,938)
MEA	42,360	38,572	3,788
Revenues from contracts with customers	**687,970**	**548,803**	**139,167**

Revenue is measured based on the consideration specified in the contract with the customer. In particular, the sale of new yachts complies with the requirements for the fulfilment of the performance obligation over the period of time of construction of the yacht ("over time"); therefore, the related revenues are recognised based on the progress of the orders and the progress made is measured with the cost-to-cost method.
Revenues from the sale of pre-owned boats, based on generally established contractual characteristics, are recognised at a given moment in time ("at a point in time").
Revenues from maintenance, sales of spare parts and provision of services activities are managed through spot orders from the client and are recognised at a point in time basis.
For further details on the recognition of revenues, please refer to the relevant note in the paragraph "Accounting standards" of these financial statements.

Commissions

Commissions amounted to €19,925 thousand and €21,335 thousand as at 31 December 2021 and 31 December 2020, respectively. They refer to the costs incurred by the Group for the intermediation activities carried out by dealers and brokers.
As at 31 December 2021, commissions showed a decrease of €1,410 thousand compared to the previous year.

9. Other income and expenses

Other income

(€'000)	31 December 2021	31 December 2020	Change
Gains on disposals of assets	9	54	(45)
Other revenues	5,479	5,674	(195)
Other income	**5,488**	**5,728**	**(240)**

Other revenues and income amounted to €5,488 thousand and €5,728 for 2021 and 2020, respectively. As at 31 December 2021, other revenues and income decreased €240 thousand on the previous year.
Other revenues mostly refer to the Parent Company and includes:

- income for services provided to suppliers;
- charge-backs of marketing contributions;
- non-repayable grants on subsidised loans granted by Simest;
- bonus investments in capital goods (Italian Law no. 160, 27 December 2019, and Italian Law no. 178, 30 December 2020);
- the recognition of a tax benefit on R&D expenditure incurred over the years.

Operating costs

(€'000)	31 December 2021	31 December 2020	Change
Increases in assets for internal work	(1,978)	(1,904)	(74)
Raw materials, consumables and finished products	247,780	219,798	27,982
Outsourcing	198,750	171,826	26,924
Other service costs	54,146	45,722	8,424
Change in work in progress, semi-finished and finished products	18,765	(23,457)	42,222
Personnel expenses	45,527	37,992	7,535
Other operating costs	5,598	3,931	1,667
Accruals to provisions and impairment	10,318	10,052	266
Operating costs	**578,906**	**463,960**	**114,946**

Operating costs amounted to €578,906 thousand and €463,960 thousand for 2021 and 2020, respectively.
The work performed by the Group and capitalised refers to the costs of the personnel involved in the development of new yachts, which are capitalised under the item development expenditure in relation to intangible assets with a finite useful life.
Raw materials, consumables and finished products are presented net of returns, discounts, allowances and bonuses and are almost entirely related to the Parent Company. The change between 2021 and the previous year, equal to €27,982 thousand, is mainly due to higher purchase volumes of raw materials and consumables as a consequence of the rise in production volumes and the collection of pre-owned boats.
Outsourcing costs chiefly related to naval carpentry services, turnkey furnishings for yachts and superyachts, electrical and plumbing work and the fitting of the boat's interior and exterior; these costs changed by €26,924 thousand between 2021 and 2020, in line with the increase in production volumes.
Other service costs mostly comprise costs for consulting services, transport costs, the Board of Directors' and Statutory Auditors' fees, travel expenses and cleaning and maintenance costs, mostly incurred by Sanlorenzo and Bluegame. The changes in other service costs between 2020 and 2021 was equal to €8,424 thousand.
The change in inventories of work in progress, semi-finished and finished products was equal to €18,765 thousand and €(23,457) thousand respectively as at 31 December 2021 and 31 December 2020. Work in progress refers to orders of less or more than one year duration for which the contract with the customer was not yet finalised by the end of the year.

Personnel expenses increased by €7,535 between 2021 and 2020. This change reflected the growth in personnel due to the expansion of the Group as shown in the following table:

	31 December 2021	31 December 2020	Change
Managers	36	32	4
White collars	471	392	79
Blue collars	90	89	1
Total employees	**597**	**513**	**84**

A breakdown of personnel expenses is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Salaries and wages	33,711	28,245	5,466
Social security contributions	9,882	8,253	1,629
Post-employment benefits	1,934	1,494	440
Total personnel expenses	**45,527**	**37,992**	**7,535**

Other operating costs mostly related to advertising for €2,780 thousand and €1,607 thousand in 2021 and 2020, respectively, and other sundry costs stood at €2,818 thousand and €2,324 thousand for 2021 and 2020, respectively. Between 2021 and 2020, other operating costs increased by €1,667 thousand.
In 2021, allocations to provisions and impairment include €6,933 thousand for contract completion activities, €2,000 thousand for supply risk, €1,385 thousand for product warranties and other minor risks.

Amortisation, depreciation and impairment losses of fixed assets

(€'000)	31 December 2021	31 December 2020	Change
Amortisation of intangible assets	6,376	6,604	(228)
Depreciation of property, plant and equipment	16,064	13,604	2,460
Amortisation, depreciation and impairment losses	**22,440**	**20,208**	**2,232**

Amortisation, depreciation and impairment amounted to €22,440 thousand and €20,208 thousand respectively as at 31 December 2021 and 2020. The change between 2021 and 2020 is equal to €2,232 thousand and is due to the coming on stream of the investments made in previous years.
In 2021, the amortisation of intangible assets was equal to €6,376 thousand, mainly referring to the amortisation of trademarks and patents for €279 thousand, development expenses for €4,670 thousand, state concession for the La Spezia shipyard for €361 thousand, rights of use of the Viareggio warehouses for €442 thousand and software applications for €315 thousand.
In 2021, depreciation stood at €16,064 thousand, mainly referring to industrial and commercial equipment for €7,572 thousand, land and buildings for €4,382 thousand, other assets for €2,533 thousand and plants and machinery for €1,577 thousand.

10. Net financial expense

(€'000)	31 December 2021	31 December 2020	Change
Financial income	193	13	180
Financial expense	(1,353)	(2,187)	834
Net financial expense	**(1,160)**	**(2,174)**	**1,014**

Net financial expense amounted to €1,160 thousand and €2,174 thousand for 2021 and 2020, respectively. The reduction compared with the previous year, amounting to €1,014 thousand (46.6%), is linked to the better financial conditions applied to the Group by financial institutions and the positive refinancing of certain lines of credit.

A breakdown of each item making up this caption is provided below:

(€'000)	31 December 2021	31 December 2020	Change
Interest income – third parties	123	9	114
Interest income – banks	70	4	66
Financial income	**193**	**13**	**180**

(€'000)	31 December 2021	31 December 2020	Change
Interest expense – banks	(899)	(1,214)	315
Interest expense – third parties	(12)	(117)	105
Interest expense on lease liabilities	(92)	(159)	67
Other financial expenses	(200)	(610)	410
Exchange rate gains/(losses)	(150)	(87)	(63)
Financial expenses	**(1,353)**	**(2,187)**	**834**

11. Income taxes

(€'000)	31 December 2021	31 December 2020	Change
Current taxes	(17,675)	(15,900)	(1,775)
Taxes relative to prior years	(1,092)	(110)	(982)
Deferred tax assets and liabilities	(888)	3,530	(4,418)
Income taxes	**(19,655)**	**(12,480)**	**(7,175)**

In 2021, income taxes stood at €(19,655) thousand, up by €(7,175) thousand over the previous year. This item mainly consists of current taxes, equal to €(17,675) thousand, taxes for prior years, equal to €(1,092) thousand, including the additional provision made to take into account the potential liabilities resulting from tax audits, and negative changes in deferred tax assets and liabilities, equal to €(888) thousand.
Current taxes increased in 2021 by €1,775 thousand.

A reconciliation between the effective and theoretical tax expense is as follows:

(€'000)	31 December 2021	31 December 2020
Pre-tax profit	**71,006**	**46,888**
Tax rate	24%	24%
Theoretical IRES	17,041	11,253
Non-deductible costs	(353)	1,878
R&D credit exempt	(99)	(52)
Effect of tax rate in foreign jurisdiction and other differences	348	(3,109)
IRAP	2,718	2,510
Income taxes	**19,655**	**12,480**

Income taxes in 2021 were equal to 27.7% of the pre-tax result.

Current tax assets and liabilities

(€'000)	31 December 2021	31 December 2020	Change
Current tax assets	16,036	8,942	7,094
Current tax liabilities	(17,622)	(15,963)	(1,659)
Net assets/(liabilities) for current taxes	**(1,586)**	**(7,021)**	**5,435**

The assets refer to IRES and IRAP advances paid during 2021. Current tax liabilities, equal to €(17,622) thousand and €(15,963) thousand as at 31 December 2021 and 2020 respectively, refer to IRES and IRAP payables.

Net deferred tax assets

(€'000)	31 December 2021	31 December 2020	Change
Net deferred tax assets	5,963	6,538	(575)

Net deferred tax assets include the difference between deferred tax assets and liabilities that arose over the years.
Net deferred tax assets were equal to €5,963 thousand as at 31 December 2021 and €6,538 thousand as at 31 December 2020. The main temporary differences that have produced deferred tax assets regard the provisions for risks and charges made, impairment of pre-owned boats, and value adjustments on receivables.
Deferred tax assets are recognised when the management believes that they will be recovered through future taxable earnings on the basis of company plans. Deferred tax liabilities relate to income taxes for the current year and previous years to be paid in subsequent years in line with applicable tax regulations.

The following table provides details on the changes, nature and amount of these temporary differences with the amounts recognised in the income statement for the year ended 31 December 2021.

(€'000)	Tax effect as at 1 January 2021	Adjustments	Utilisations 2021	Accruals 2021	Total in profit or loss 2021	Tax effect as at 31 December 2021
Deferred tax assets						
Loss allowance	90	–	–	–	–	90
Provisions for risks and charges	4,750	–	2,321	2,884	563	5,313
Unpaid directors' fees	2	–	2	48	46	48
Deferral margin Sanlorenzo of the Americas	–	290	245	–	(245)	45
Unpaid membership fees	5	–	5	–	(5)	–
Amortisation goodwill	2	–	1	–	(1)	1
Impairment of pre-owned boats	1,303	–	1,303	179	(1,124)	179
Effect of IAS 38	7	–	3	–	(3)	4
Share capital increase against reserve	353	–	118	–	(118)	235
Cash flow hedge reserve	–	366	–	–	–	366
Deferral R&D	194	–	47	–	(47)	147
Legal fees	242	–	–	–	–	242
Debt accounting at amortised cost	118	–	24	–	(24)	94
Obsolete inventories	56	–	–	42	42	98
Other	343	(343)	–	–	–	–
Total deferred tax assets	**7,465**	**313**	**4,069**	**3,153**	**(916)**	**6,862**
Deferred taxes						
Amortisation of development costs over useful life	(926)	–	(433)	(405)	28	(898)
Other	(1)	–	–	–	–	(1)
Total deferred tax liabilities	**(927)**	**–**	**(433)**	**(405)**	**28**	**(899)**
Net deferred tax assets	**6,538**	**313**	**3,636**	**2,748**	**(888)**	**5,963**

12. Earnings per share

The calculation of the earnings per share in the years ended 31 December 2021 and 2020 is indicated in the following table and is based on the ratio between the profit attributable to the shareholders of the Parent Company and the average number of ordinary shares for each period, net of portfolio treasury shares, equal to 58,666 as at 31 December 2020 and 31 December 2021.
The diluted earnings per share is substantially in line with the basic earnings per share, since as at 31 December 2021, the dilutive effects deriving from the 2020 Stock Option Plan, and in particular the portion relating to the options that can be exercised starting from 10 December of 2021 and not exercised as at 31 December 2021 and of the options that will be exercisable starting from 31 May 2022 following the achievement of the performance objectives for the year 2021, are not significant.

(in €)	31 December 2021	31 December 2020
Profit for the year attributable to the shareholders of the Parent Company	51,007,320	34,507,771
Average number of shares for basic earnings per share	34,460,968	34,470,667
Basic earnings per share	**1.48**	**1.00**

(in €)	31 December 2021	31 December 2020
Profit for the year attributable to the shareholders of the Parent Company	51,007,320	34,507,771
Average number of shares for diluted earnings per share	34,652,644	34,470,667
Diluted earnings per share	**1.47**	**1.00**

ASSETS

13. Property, plant and equipment

Property, plant and equipment amounted to €134,988 thousand and €112,491 thousand as at 31 December 2021 and 31 December 2020, respectively.
A breakdown of the item and its changes over the year are provided in the table below.

(€'000)	Land and buildings	Industrial equipment	Plants and equipment	Other assets	Fixed assets in progress	Total
Historical cost	91,205	70,028	15,392	15,580	2,513	194,718
Accrued depreciation	(28,240)	(39,491)	(5,571)	(8,925)	–	(82,227)
Carrying amount as at 31 December 2020	**62,965**	**30,537**	**9,821**	**6,655**	**2,513**	**112,491**
Changes in the period:						
Additions	19,678	8,238	3,797	4,663	1,690	38,066
Disposals	(3)	(1,433)	–	(137)	–	(1,573)
Reclassifications	963	(857)	(17)	(1,404)	(1,085)	(2,400)
Depreciation	(4,382)	(7,572)	(1,577)	(2,533)	–	(16,064)
Utilisation of accrued depreciation	–	1,431	–	98	–	1,529
Reclassifications	(228)	1,234	17	1,916	–	2,939
Historical cost as at 31 December 2021	111,843	75,976	19,172	18,702	3,118	228,811
Accrued depreciation and impairment losses as at 31 December 2021	(32,850)	(44,398)	(7,131)	(9,444)	–	(93,823)
Carrying amount as at 31 December 2021	**78,993**	**31,578**	**12,041**	**9,258**	**3,118**	**134,988**

As at 31 December 2021, property, plant and equipment included:

- Land and buildings equal to €78,993 thousand: these mostly refer to the Parent Company's buildings located at the production facilities in Ameglia (SP), Massa (MS), Viareggio (LU) and La Spezia (SP).
- Industrial equipment for €31,578 thousand: these mostly refer to technical equipment, mostly owned by the Parent Company, for scaffolding, handling and fibreglass moulding extraction and for the realisation of moulds.
- Plants and equipment equal to €12,041 thousand: they are mainly owned by the Parent Company and for the most part they relate to fire-fighting, electrical, hydraulic and suction systems.
- Other assets for €9,258 thousand: these refer for €7,926 thousand to the Parent Company and the remainder to the other Group companies. Other assets chiefly include office furniture and fittings, trade fair equipment and electronic equipment.
- Fixed assets in progress equal to €3,118 thousand: these mainly refer to the Parent Company and only minimally to Bluegame and mainly include costs for the realisation of new models and moulds.

In 2021, additions were equal to €38,066 thousand and refer to fixed assets in progress for €1,690 thousand, industrial equipment for €8,238 thousand, buildings for €19,678 thousand, other assets for €4,663 thousand and plants for €3,797 thousand.
In 2021, disposals were equal to €1,573 thousand, net of accrued depreciation equal to €1,529 thousand and mainly concerned industrial equipment of the Parent Company.
Depreciation in 2021 was equal to €16,064 thousand, €2,460 thousand higher than in 2020, mostly as a result of the investments made during the current and previous year.

14. Goodwill

Goodwill is recognised in the Consolidated Financial Statements at the date of acquisition of the control of a business pursuant to IFRS 3 and is the aggregate of the consideration transferred to acquire a business or a business unit and the algebraic sum of the fair values, assigned at the acquisition date, to the identifiable assets and liabilities acquired that composed such business or business unit.
As it has an indefinite useful life, goodwill is not amortised but is tested for impairment at least once a year unless some indications of impairment based on external and internal sources of information identified by the Group makes it necessary to test it for impairment also during preparation of the interim reports. For impairment testing purposes, goodwill acquired as part of a business combination is allocated to the individual Cash-Generating Units (or groups of CGUs) that are expected will benefit from the combination synergies, in line with the minimum level for which that goodwill is monitored by the Group.
After its initial recognition, goodwill is valued at cost net of accumulated impairment.

(€'000)	31 December 2021	31 December 2020	Change
Goodwill	8,667	8,667	–

As at 31 December 2021 and 31 December 2020, goodwill was recognised for €8,667 thousand. It arose on the 2008 merger of the former holding company, Happy Fly S.r.l., and its subsidiary FlyOpen S.p.A. into Sanlorenzo S.p.A.
The balance of €8,667 thousand is net of amortisation recognised up until the date of First Time Adoption of IFRS. The Group applied the exemption, provided by IFRS 1.C1 for business combinations, which allows the first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.

15. Intangible assets with a finite useful life

Intangible assets with a finite useful life amounted to €45,276 thousand as at 31 December 2021 and €36,434 thousand as at 31 December 2020.
A breakdown of the item at each date presented and changes therein is provided below.

(€'000)	Concessions, licences, trademarks and similar rights	Other fixed assets	Development costs	Fixed assets in progress	Total
Historical cost	42,642	2,659	36,514	2,136	83,951
Accrued amortisation	(27,298)	(2,651)	(17,568)	–	(47,517)
Carrying amount as at 31 December 2020	**15,344**	**8**	**18,946**	**2,136**	**36,434**
Changes in the period:					
Additions	2,569	–	6,316	2,262	11,147
Disposals	(6)	–	–	–	(6)
Reclassifications	(17,353)	–	1,703	(1,685)	(17,335)
Amortisation	(1,705)	(1)	(4,670)	–	(6,376)
Utilisation of accrued amortisation	–	–	–	–	–
Reclassifications	21,430	–	(18)	–	21,412
Historical cost as at 31 December 2021	27,852	2,659	44,533	2,713	77,757
Accrued amortisation and impairment losses as at 31 December 2021	(7,573)	(2,652)	(22,256)	–	(32,481)
Carrying amount as at 31 December 2021	**20,279**	**7**	**22,277**	**2,713**	**45,276**

With reference to the development costs, no impairment indicators were identified suggesting that capitalised development costs have been impaired.
As at 31 December 2021, intangible assets with a finite useful life included:

- Concessions, licences, trademarks and similar rights, equal to €20,279 thousand, mostly related to the Parent Company. More specifically, the item mainly consists of the concession acquired together with the former Cantieri San Marco business unit in 2018 for €3,250 thousand, trademark of the Parent Company and of Bluegame for €3,914 thousand, two mooring rights acquired by the Parent Company until 2067 in "Porto Mirabello", port facility in La Spezia for €1,721 thousand, net, the right of use for the Viareggio buildings acquired with the demerger of Polo Nautico Viareggio S.r.l. in 2019 for € 8,077 thousand, software for €512 thousand and sundry rights for €2,805 thousand.
- Other assets equal to € 7 thousand.
- Development costs, equal to €22,277 thousand: comprising costs to design and develop new yachts incurred by the Parent Company and Bluegame.

- Fixed assets in progress equal to €2,713 thousand, mostly consisting of development costs for the design and study of new yacht models.

In 2021, additions were equal to €11,147 thousand and related to fixed assets under development for €2,262 thousand, development costs for €6,316 thousand and trademarks, patents, rights on use of buildings and mooring rights for €2,569 thousand.
Amortisation in 2021 was equal to €6,376 thousand, €228 thousand lower than in 2020.

Recoverability of development costs

As at 31 December 2021 and 2020, intangible assets include projects to develop new yachts and innovative fibreglass, steel and aluminium solutions for medium to large yachts in the amount of €22,277 thousand and €18,946 thousand, respectively.
Its design costs, over 8 years, were amortised based on a 12.5% rate.
Projects normally take between one to three years to develop (roughly 18 months for fibreglass yacht) and the group usually recognises the related costs over this period. The design stage ends with the building of the prototype and the model is definitive for sale on the market (new yacht design). However, the Group may incur design costs after this if it decides to improve the yacht, restyle it or if the customer requests customisation (boat yacht in production). Designs obviously have to reflect market trends and consider competitors' strategies. Due to difficulties in identifying the right moment for a new product to go to market, the Group defines its specific strategy in this respect each year.
Based on business forecasts, company management deems that the development costs recognised as at 31 December 2021 are recoverable.

16. Impairment testing

This section describes the methods applied to test goodwill and intangible assets with indefinite useful life in accordance with IAS 36 and the results of these tests.
As at 31 December 2021, the Company tested the recoverability of goodwill equal to €8,667 thousand. No indications of impairment were identified at Group level.
For the purposes of testing the recoverability of the goodwill recognised as an intangible asset, a Cash-Generating Unit (CGU) has been identified, which consists of the whole of the Sanlorenzo Group's operating activities.
The test for impairment on its assets, in accordance with IAS 36, provides for two different calculations of the recoverable amount, either value in use or fair value less costs to sell. Paragraph 18 of IAS 36 defines the "recoverable amount" as "the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use". In this case, as it was not possible to measure the fair value of the assets being tested for impairment, the estimate of their recoverable amount as at 31 December 2021 was made based on the values based on the concept of value in use.
The value in use was calculated based on the estimated operating cash flows for the three-year period 2022-2024, obtained by discounting the economic-financial forecast data adopted solely for the purposes of the impairment test with resolution of the Board of Directors on 3 February 2022.
The difference between the resulting value in use and the carrying amount of the net operating invested capital, including goodwill and intangible assets with indefinite useful life, is positive by roughly 492%.

The WACC was used as the discount rate and was estimated as follows:

- the risk-free rate was taken to be equal to the average rate of return on 10-year government bonds, i.e. 0.78%;
- an equity risk premium of 6.42% was used;
- a beta-levered coefficient was measured considering a basket of listed companies active in the same sector as the Group and was equal to 1.05;
- an additional risk premium equal to 3.50%.

The cost of debt was estimated to be equal to 0.78%.
A debt to equity ratio of 31.10% was also used, equal to the average debt to equity ratio of a basket of comparable companies.
Application of this model led to the calculation of a 8.80% discount rate (pre-tax WACC equal to 11.58%).
The terminal value was calculated using the "perpetuity" formula, assuming a growth rate "g" of 1.30% and a normalised operating cash flow using the projections for 2024, the last year of the plan taken as reference for impairment test purposes.
The model's sensitivity to changes in these parameters was also tested, to test its robustness and accuracy.
In particular, the model was tested under the assumption of a change in the discount and growth rates of up to 1% and of a 10% decrease in the cash flows estimated based on forecasts. This sensitivity analysis did not suggest the presence of asset impairment.
An analysis of the base scenario and the sensitivity analysis after introducing changes to the main parameters of the impairment test showed that the carrying amount of goodwill recorded in the financial statements of the Group is recoverable.
The following table shows the WACC, growth rate and percentage of operating cash flows that individually would make the CGU's recoverable amount equal to its carrying amount as at 31 December 2021.

	Base scenario	WACC	Growth rate	Operating cash flows
WACC	8.80%	46.39%	8.80%	8.80%
Growth rate (g)	1.30%	1.00%	-84.06%	1.00%
Operating cash flows	100.00%	100.00%	100.00%	16.90%

17. Equity investments and other non-current assets

(€'000)	31 December 2021	31 December 2020	Change
Associated companies	412	378	34
Other companies	34	34	–
Equity investments and other non-current assets	**446**	**412**	**34**

Changes in the investments in associates and other companies over the year are shown below:

(€'000)	Associated companies	Other companies	Total
Carrying amount as at 31 December 2020	**378**	**34**	**412**
Changes in the period:			
Additions/capital increases	34	–	34
Carrying amount as at 31 December 2021	**412**	**34**	**446**

Equity investments in associated companies amounted to €412 thousand and €378 thousand respectively as at 31 December 2021 and 2020. This item refers to the equity investments held in the associated companies Polo Nautico and Restart. For further details, please refer to the note "Associates" in these financial statements.
Equity investments in other companies were equal to €34 thousand as at 31 December 2021 and 2020 and are represented by investments that are fairly negligible in companies and consortiums, not falling in the scope of consolidation.
During the current year, a gain of €4 thousand was recorded on associated companies, in addition to negative value adjustments of €25 thousand.

18. Inventories

(€'000)	31 December 2021	31 December 2020	Change
Raw materials and consumables	8,889	6,321	2,568
Work in progress and semi-finished products	31,760	45,123	(13,363)
Finished products	28,611	36,163	(7,552)
Allowance for inventory write-down	(991)	(5,393)	4,402
Inventories	**68,269**	**82,214**	**(13,945)**

Inventories amounted to €68,269 thousand and €82,214 thousand as at 31 December 2021 and 31 December 2020, respectively.
Raw materials and consumables include the materials necessary to build the yachts.
Work in progress and semi-finished products relate to those orders whose contract with the customer has still not been finalised at the close of the year. The change observed between 31 December 2021 and 31 December 2020 follows the consistent increase in sales achieved during the year.
The finished products comprise traded-in boats, which are recognised at cost when the group receives them and the value of which is adjusted at the end of each year to the presumed realisable value through the recognition of the relative allowance for write-downs.
During the valuation process of pre-owned boats, the Group relies on various elements such as the analysis of the specific characteristics of the pre-owned boats, the valuations carried out at the time of their purchase including age, current market trend, also through the indications of an independent third party, the uniqueness of each boat and of each trade negotiation, as well as the sales already concluded in the subsequent period. The project "Experienced Yachts", designed to diversify and qualify the pre-owned boats of the Group compared with the competition, provides for each boat that is part of the programme to be valued, managed and reconditioned by the Group's personnel in order to guarantee the efficacy of the boats' machinery and instruments. The valuation of pre-owned boats is based on an independent expert appraisal which considers the factors mentioned above and each boat's general conditions.
Allowance for inventory write-down, including finished products and raw materials, recorded the following changes, mainly due to the adjustment of the value of finished products to the estimated realisable value:

(€'000)	Balance
Allowance for inventory write-down as at 31 December 2020	5,393
Accruals	791
Utilisations	(5,193)
Allowance for inventory write-down as at 31 December 2021	**991**

19. Contract assets and liabilities

Contract assets refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalised with the customer. They are recognised as assets net of the related contract liabilities when, based on a case-by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognised as a contract liability.
Net contract assets are as follows:

(€'000)	31 December 2021	31 December 2020	Change
Contract assets (gross)	505,934	467,861	38,073
Advances from customers	(388,740)	(354,923)	(33,817)
Contract assets (net)	**117,194**	**112,938**	**4,256**

Unsatisfied or partially unsatisfied performance obligations refer to all the boats (both with original expected duration within 1 year and more) and are expected to be recognised in accordance with production timing related to yacht (between 7 and 16 months on average) and superyacht (between 24 and 46 months on average).
The net balance of assets arising from contracts as at 31 December 2021 includes a positive amount of €953 thousand relating to the fair value measurement of exchange rate risk hedging derivatives on contracts denominated in US dollars; as at 31 December 2020, this amount was negative for €435 thousand.
Net contract liabilities are as follows:

(€'000)	31 December 2021	31 December 2020	Change
Payables for work to be carried out	10,922	5,949	4,973
Total advances received from customers	480,766	395,130	85,636
Advances deducted from contract assets	(388,740)	(354,923)	(33,817)
Contract liabilities (net)	**102,948**	**46,156**	**56,792**

The net balance of this item was equal to €102,948 thousand and €46,156 thousand as at 31 December 2021 and 31 December 2020, respectively. The change, equal to €56,792 thousand and recorded between the year ended 31 December 2021 and 2020, is mainly due to the increase in advances received from customers.

20. Trade receivables

(€'000)	31 December 2021	31 December 2020	Change
Receivables from customers	18,907	17,697	1,210
Loss allowance	(597)	(464)	(133)
Total trade receivables	**18,310**	**17,233**	**1,077**

Trade receivables amounted to €18,310 thousand and €17,233 thousand as at 31 December 2021 and 31 December 2020, respectively. As at 31 December 2021, trade receivables increased by €1,077 thousand compared to 31 December 2020.
Trade receivables are presented net of loss allowance set up over the years to provide for credit-impaired receivables that are still recognised pending the completion of the related court-approved creditors' settlement procedure or out-of-court recovery proceedings. It is believed that the provision for bad debts is appropriate to cope with the risk of potential non-collection of past due receivables.
Changes in loss allowance for the year 2021 are as follows:

(€'000)	Balance
Loss allowance as at 31 December 2020	**464**
Utilisation/Releases	(4)
Accruals	137
Loss allowance as at 31 December 2021	**597**

The breakdown of trade receivables by geographical area is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Italy	9,080	1,024	8,056
Europe – Other countries	8,835	12,030	(3,195)
Americas	386	1,127	(741)
APAC	6	2,051	(2,045)
MEA	3	1,001	(998)
Receivables from customers	**18,310**	**17,233**	**1,077**

The ageing of receivables from customers for the periods considered is as follows:

31 December 2021 (€'000)	Not expired	Overdue for (dd)		
		0-365	366-730	>730
Receivables from customers	17,968	201	117	284
Loss allowance	(51)	(145)	(117)	(284)
Receivables for customers to be invoiced	337	–	–	–
Total receivables from customers	**18,254**	**56**	**–**	**–**

21. Other current assets

(€'000)	31 December 2021	31 December 2020	Change
Advances to suppliers	19,798	12,081	7,717
Other receivables	8,346	2,637	5,709
Other tax assets	12,267	3,931	8,336
Costs to obtain the contracts	8,041	5,053	2,988
Accrued income and prepaid expenses	5,885	6,732	(847)
Other receivables and other current assets	**54,337**	**30,434**	**23,903**

Other current assets amounted to €54,337 thousand and €30,434 thousand as at 31 December 2021 and 31 December 2020, respectively. All receivables in this category are considered collectible and therefore no impairment has been made on them.
During the year ended 31 December 2021, the item increased by €23,903 thousand mainly due to the increase in tax receivables and advances paid to suppliers.
In addition, costs for the acquisition of contracts related to agency commissions were up by €2,988 thousand. Agency fees were recognised in the income statement based on a time approach that follows the work in progress on a boat.

22. Cash and cash equivalents

(€'000)	31 December 2021	31 December 2020	Change
Bank and postal current accounts	141,223	94,313	46,910
Cash on hand	49	46	3
Cash	**141,272**	**94,359**	**46,913**

Cash and cash equivalents amounted to €141,272 thousand and €94,359 thousand as at 31 December 2021 and 31 December 2020, respectively.
For further information on the change in cash and cash equivalents, reference should be made to the cash flow statement.

23. Other financial assets, including derivatives

(€'000)	31 December 2021	31 December 2020	Change
Derivatives	317	647	(330)
Total other financial assets	**317**	**647**	**(330)**

Derivatives amounted to €317 thousand and €647 thousand as at 31 December 2021 and 31 December 2020 respectively. They include currency hedges (EUR/USD) and interest rate hedges with a positive fair value (Mark to Market Value) at the reporting dates. The Group uses derivatives to hedge against the risk of fluctuations in the US dollar for its sales in that currency and the risks that interest rates on its loans and borrowings may increase.
For further details regarding financial risk hedging instruments, please refer to the note "Financial instruments – Fair value and risk management" in these financial statements.

EQUITY AND LIABILITIES

24. Share capital and reserves

Group equity

The next table provides a breakdown of the Group's equity.

(€'000)	Share capital	Share premium	Other reserves	Profit for the period	Equity attributable to the owners of the Parent Company	Equity attributable to non-controlling interests	Total equity
Value as at 31 December 2020	**34,500**	**76,549**	**40,189**	**34,508**	**185,746**	**(355)**	**185,391**
Allocation of profit for the year	–	–	33,977	(34,508)	(531)	(344)	(875)
Effect of cash flow hedge reserve	–	–	(1,117)	–	(1,117)	–	(1,117)
Dividends distributed	–	–	(10,331)	–	(10,331)	–	(10,331)
Share buy-back	–	–	–	–	–	–	–
Stock option exercise	39	648	(59)	–	628	–	628
Other changes	–	–	3,636	–	3,636	458	4,094
Result for the period	–	–	–	51,007	51,007	344	51,351
Value as at 31 December 2021	**34,539**	**77,197**	**66,295**	**51,007**	**229,038**	**103**	**229,141**

The following table shows details of Other reserves.

(€'000)	Legal reserve	Extraordinary reserve	Consolidation reserve	Stock option reserve	Reserve for treasury shares	Cash flow hedge reserve	Reserve FTA/OCI	Other reserves	Profit from previous years	Total other reserves
Value as at 31 December 2020	**2,960**	**45,066**	**(7,647)**	**332**	**(899)**	**15**	**(254)**	**468**	**148**	**40,189**
Allocation of profit for the year	1,699	32,278	–	–	–	–	–	–	–	33,977
Effect of cash flow hedge reserve	–	–	–	–	–	(1,117)	–	–	–	(1,117)
Dividends distributed	–	(10,331)	–	–	–	–	–	–	–	(10,331)
Share buy-back	–	–	–	–	–	–	–	–	–	–
Stock option exercise	–	–	–	(59)	–	–	–	–	–	(59)
Other changes	–	–	4,225	334	–	–	(1)	(774)	(148)	3,636
Result for the period	–	–	–	–	–	–	–	–	–	–
Value as at 31 December 2021	**4,659**	**67,013**	**(3,422)**	**607**	**(899)**	**(1,102)**	**(255)**	**(306)**	**–**	**66,295**

Share capital and share premium

Ordinary shares

As at 31 December 2021, the Parent Company's share capital amounted to €34,539 thousand, fully paid up, and consisted of 34,539,268 ordinary shares without nominal value, increased compared to 31 December 2020 due to the subscription of the capital increase to service the 2020 Stock Option Plan for 39,268 shares in December 2021. The share capital was also subsequently increased in 2022 and, as at 28 February 2022, consists of 34,594,172 shares.

On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo had in fact approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum number of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan.

On 24 September 2020, the Company also initiated the share buy-back program based on the authorisation resolution approved by the Ordinary General Meeting of Shareholders on 31 August 2020. As a result of share purchases since the inception of the program, as at 31 December 2021, the Company held 58,666 treasury shares, unchanged from 31 December 2020, representing 0.170% of the subscribed and paid-in share capital. In accordance with the terms of the above resolution, the purchase program terminated on 28 February 2022.

Share premium reserve

The share premium amounted to €77,197 thousand resulting from the capital increase carried out by the shareholders in the periods 2011 and 2013, its partial use in the year 2014 for a bonus issue, by the Parent Company, the decrease of €19,539 thousand due to the impact of the reverse merger with WindCo, the capital increase linked to the IPO transaction completed in 2019, equal to €65,160 thousand net of placement commissions, the increase in 2021 of €648 thousand for the exercise of the options relating to the Stock Option Plan.

Other reserves

(€'000)	31 December 2021	31 December 2020	Change
Legal reserve	4,659	2,960	1,699
Extraordinary reserve	67,013	45,066	21,947
Consolidation reserve	(3,422)	(7,647)	4,225
Stock option reserve	607	332	275
Reserve for treasury shares in the portfolio	(899)	(899)	–
Cash flow hedge reserve	(1,102)	15	(1,117)
Reserve FTA/OCI	(255)	(254)	(1)
Reserve from offsetting of exchange differences/CTA	(442)	332	(774)
Post-merger reserve	49	49	–
Merger surplus	87	87	–
Profit from previous years	–	148	(148)
Other reserves	**66,295**	**40,189**	**26,106**

The item comprises:

- Legal reserve, which includes the allocation of period profits carried out by the Parent Company of €4,659 thousand according to the provisions of the Italian Civil Code.
- Extraordinary reserve relating to the Parent Company of €67,013 thousand and €45,066 thousand as at 31 December 2021 and 31 December 2020, respectively. The increase is due to the allocation of prior year profit, net of dividends paid in 2021.
- Consolidation reserve, which includes the difference between the carrying amount of the group's equity investments and its share of the investees' equity. It had a negative balance of €3,422 thousand and €7,647 thousand as at 31 December 2021 and 31 December 2020 respectively.
- Stock option reserve, recognised for a positive value of €607 thousand, expresses the value of the option, recognised on a straight-line basis over the period between the grant date and the vesting date. The aforementioned reserve refers to the stock incentive plan approved by the Ordinary Shareholders' Meeting of 21 April 2020 and reserved for executive directors and key employees of Sanlorenzo and its subsidiaries. For further details regarding this plan, please refer to the note "Share-based payments" in these financial statements.
- Reserve for treasury shares in the portfolio of €(899) thousand relating to the purchase of 58,666 treasury shares carried out in 2020.
- Cash flow hedge reserve, relating to the Parent Company, was a negative €1,102 thousand as at 31 December 2021 and a positive €15 thousand as at 31 December 2020.

- Reserve FTA/OCI, which was affected by the transition of the financial statements to IFRS, in the amount of €(255) thousand as at 31 December 2021 and €(254) as at 31 December 2020.
- Reserve from offsetting of exchange differences/CTA for €(442) thousand and €332 thousand as at 31 December 2021 and 31 December 2020, respectively. The reserve was established in 2019 for the exchange differences between the profit and loss and balance sheet in the financial statements of Sanlorenzo of the Americas and for the differences in intra-group cancellations.
- Post-merger reserve of the Company with capital contributions from the shareholders for €49 thousand as at 31 December 2021 and 31 December 2020, respectively. This reserve has not changed.
- Merger surplus, equal to €87 thousand is related tot the Parent Company and was created by the merger by incorporation with Eureka Imbarcazioni S.r.l. in 2012.
- Profits from previous years for €0 thousand and €148 thousand respectively as at 31 December 2021 and 31 December 2020.

Equity attributable to non-controlling interests

The change in non-controlling interests is primarily due to the profit for the period. The item stood at €103 thousand as at 31 December 2021 compared to a negative €355 thousand as at 31 December 2020.

Capital management

The objective of the Group's capital management policies is the creation of value for Shareholders and support for the future development of the Group through the maintenance of an adequate level of capitalisation, which permits access to external sources of funding under advantageous conditions. The Group manages the capital structure and carries out adjustments in line with the changes in the general economic conditions and the strategic objectives.

25. Financial liabilities

(€'000)	31 December 2021	31 December 2020	Change
Bank loans and borrowings (beyond 12 months)	65,691	57,932	7,759
Other loans and borrowings (beyond 12 months)	3,417	4,813	(1,396)
Non-current financial liabilities	**69,108**	**62,745**	**6,363**
Short-term bank loans	29,717	25,790	3,927
of which bank loans	*29,675*	*25,572*	*4,103*
of which other short-term loans	*42*	*218*	*(176)*
Other short-term loans and borrowings	1,402	2,127	(725)
Hedging derivative liabilities	2,356	515	1,841
Current loans financial liabilities	**33,475**	**28,432**	**5,043**
Total financial liabilities	**102,583**	**91,177**	**11,406**

Non-current financial liabilities amounted to €69,108 thousand and €62,745 thousand as at 31 December 2021 and 31 December 2020, respectively. They mainly refer to long-term loans and borrowings stipulated by the Parent Company for €62,242 thousand and €53,708 thousand as at 31 December 2021 and 31 December 2020, respectively.
The non-current portion of other loans and borrowings amounted to €3,417 thousand and €4,813 respectively as at 31 December 2021 and 31 December 2020 and refers to the impact of IFRS 16.
Current financial liabilities, equal to €33,475 thousand and €28,432 thousand as at 31 December 2021 and 31 December 2020, respectively, referred to:

- the current portion of debt for 29,675 thousand and € 25,572 thousand, respectively as at 31 December 2021 and 31 December 2020, including the book value of the loans due within 12 months and the accruals of related interest due to the financing institutions;
- other financial debt of €42 thousand as at 31 December 2021 and €218 thousand as at 31 December 2020, relating primarily to the Parent Company and the subsidiary Bluegame S.r.l.;
- other loans and borrowings of €1,402 thousand and €2,127 thousand respectively as at 31 December 2021 and 31 December 2020, entirely referred to the effect of the application of IFRS 16;
- liabilities for financial instruments hedging foreign exchange and interest rate risks totalling €2,356 thousand and €515 thousand as at 31 December 2021 and 31 December 2020, respectively.

A breakdown of the changes in financial liabilities is provided below:

(€'000)	
Financial liabilities as at 31 December 2020	**91,177**
Changes in fair value of derivatives	1,841
New loan proceeds	46,843
Loan repayments	(34,981)
Change in other loans and borrowings	(177)
New lease finance (IFRS 16)	1,537
Repayment of lease finance (IFRS 16)	(3,657)
Financial liabilities as at 31 December 2021	**102,583**

The breakdown of net financial debt of Sanlorenzo Group as at 31 December 2021 and as at 31 December 2020 is reported below:

(€'000)		31 December 2021	31 December 2020
A	Cash	141,272	94,359
B	Cash equivalents	–	–
C	Other current financial assets	317	647
D	**Liquidity (A + B + C)**	**141,589**	**95,006**
E	Current financial debt	(3,824)	(2,560)
F	Current portion of non-current financial debt	(29,651)	(25,872)
G	**Current financial indebtedness (E + F)**	**(33,475)**	**(28,432)**
H	**Net current financial indebtedness (G + D)**	**108,114**	**66,574**
I	Non-current financial debt	(69,108)	(62,745)
J	Debt instruments	–	–
K	Non-current trade and other payables	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(69,108)**	**(62,745)**
M	**Total financial indebtedness (H+L)**	**39,006**	**3,829**

For details, see the Report on operations.

As at 31 December 2021, like in previous years, the Group was required to comply with some financial parameters (covenants) on loans to be calculated, on an annual basis, in the Consolidated Financial Statements. As at 31 December 2021, these parameters were complied with.

Loan	Parameter	Limit
Banco BPM unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50
Cassa Depositi e Prestiti unsecured loan €10m 31.12.26	Net financial position/EBITDA	< 1.80
Cassa Depositi e Prestiti mortgage loan €10m 31.12.26	Net financial position/Equity	< 1.00
Crédit Agricole mortgage loan €15m 29.11.26	Net financial position/EBITDA	< 3.25
Creval unsecured loan €7m 05.07.23	Net financial position/EBITDA	< 3.00
Deutsche Bank unsecured loan €7.5m 31.03.23	Net financial position/EBITDA	< 3.25
Deutsche Bank unsecured loan €7.5m 31.03.23	Net financial position/Equity	< 0.90
Intesa Sanpaolo unsecured loan €3m 13.07.22	Net financial position/EBITDA	< 2.15
Intesa Sanpaolo unsecured loan €20m 30.06.26	Net financial position/EBITDA	< 1.80
Intesa Sanpaolo unsecured loan €20m 30.06.26	Net financial position/Equity	< 1.30
MPS unsecured loan €6m 31.12.23	Net financial position/EBITDA	< 1.30
MPS unsecured loan €6m 31.12.23	Net financial position/Equity	< 1.00
UniCredit unsecured loan €8.25m 31.12.22	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €8.25m 31.12.22	Net financial position/Equity	< 0.90
UniCredit unsecured loan €6m 30.09.25	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €6m 30.09.25	Net financial position/Equity	< 0.90
UniCredit unsecured loan €6m 30.09.25	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €4.5m 30.09.25	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €4.5m 30.09.25	Net financial position/Equity	< 0.90
UniCredit unsecured loan €4.5m 30.09.25	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €10m 30.06.26	Net financial position/Equity	< 0.90
UniCredit unsecured loan €10m 30.06.26	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50

The following table shows the conditions and due dates of the loans as at 31 December 2021 and 31 December 2020, respectively.

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2021					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Sanlorenzo S.p.A.								
Banco BPM – Unsecured loan €5m 30.06.22	1.50%	2021	–	–	–	–	–	–
Banco BPM – Unsecured loan €6m 29.12.23	0.90%	2021	–	–	–	–	–	–
Banco BPM – Unsecured loan €10m 30.06.26	0.55%	2026	9,474	14	9,460	2,100	7,360	–
Banco BPM – Mortgage loan €7.75m 31.12.25	1.20%	2021	–	–	–	–	–	–
Banco BPM – Mortgage loan €814k 31.12.30	0.85%	2030	645	–	645	69	282	294
Banco BPM – Mortgage loan €7.41m 31.12.30	0.85%	2030	5,875	–	5,875	624	2,571	2,680
Banco di Sardegna – Unsecured loan €5m 30.09.25	0.50%	2025	3,762	1	3,761	996	2,765	–
BNL – Unsecured loan €5m 30.06.22	0.45%	2021	–	–	–	–	–	–
BNL – Unsecured loan €5m 30.06.23	0.00%	2023	5,000	–	5,000	3,750	1,250	–
BPER – Unsecured loan €5m 30.09.25	0.50%	2025	3,762	1	3,761	996	2,765	–
Carige – Unsecured loan €5m 31.12.23	1.15%	2021	–	–	–	–	–	–
Cassa Depositi e Prestiti – Unsecured loan €10m 31.12.26	0.75%	2026	7,143	–	7,143	1,429	5,714	–
Crédit Agricole – Mortgage loan €15m 29.11.26	0.65%	2026	7,921	34	7,887	1,550	6,337	–
Creval – Unsecured loan €7m 05.07.23	0.84%	2023	2,510	3	2,507	1,428	1,079	
Deutsche Bank – Unsecured loan €7.5m 31.03.23	0.50%	2023	1,875	1	1,874	1,499	375	–
Intesa Sanpaolo – Unsecured loan €3m 13.07.22	0.65%	2022	450	–	450	450	–	–
Intesa Sanpaolo – Unsecured loan €20m 30.06.26	0.05%	2026	20,000	40	19,960	4,429	15,531	–
MPS – Unsecured loan €6m 31.12.23	0.70%	2023	2,400	6	2,394	1,196	1,198	–
UBI – Unsecured loan €5m 06.06.21	0.95%	2021	–	–	–	–	–	–
UBI – Unsecured loan €3m 13.05.21	0.40%	2021	–	–	–	–	–	–
UniCredit – Unsecured loan €15m 31.12.22	0.20%	2022	3,000	5	2,995	2,995	–	–
UniCredit – Unsecured loan €6m 30.09.25	0.15%	2025	5,625	4	5,621	1,498	4,123	–
UniCredit – Unsecured loan €10m 30.06.26	0.05%	2026	9,474	9	9,465	2,102	7,363	–
Simest – Facilitated loan "Capitalisation" 31.12.27	0.55%	2027	480	–	480	–	360	120
Simest – Facilitated loan for "Fairs and Exhibitions" 08.04.25	0.55%	2025	90	–	90	15	75	–
Total Sanlorenzo S.p.A.			**89,486**	**118**	**89,368**	**27,126**	**59,148**	**3,094**

	31 December 2020						
	Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
							Sanlorenzo S.p.A.
	1,579	17	1,562	1,039	523	–	Banco BPM – Unsecured loan €5m 30.06.22
	3,634	19	3,615	1,190	2,425	–	Banco BPM – Unsecured loan €6m 29.12.23
	–	–	–	–	–	–	Banco BPM – Unsecured loan €10m 30.06.26
	3,198	31	3,167	615	2,552	–	Banco BPM – Mortgage loan €7.75m 31.12.25
	714	–	714	68	279	367	Banco BPM – Mortgage loan €814k 31.12.30
	6,498	–	6,498	618	2,542	3,338	Banco BPM – Mortgage loan €7.41m 31.12.30
	4,753	2	4,751	991	3,761	–	Banco di Sardegna – Unsecured loan €5m 30.09.25
	3,750	–	3,750	2,500	1,250	–	BNL – Unsecured loan €5m 30.06.22
	–	–	–	–	–	–	BNL – Unsecured loan €5m 30.06.23
	4,753	–	4,753	991	3,762	–	BPER – Unsecured loan €5m 30.09.25
	3,040	11	3,029	994	2,035	–	Carige – Unsecured loan €5m 31.12.23
	8,571	–	8,571	1,429	5,714	1,429	Cassa Depositi e Prestiti – Unsecured loan €10m 31.12.26
	9,473	49	9,424	1,536	6,282	1,607	Crédit Agricole – Mortgage loan €15m 29.11.26
	3,923	5	3,918	1,408	2,510	–	Creval – Unsecured loan €7m 05.07.23
	3,375	3	3,372	1,498	1,874	–	Deutsche Bank – Unsecured loan €7.5m 31.03.23
	1,050	–	1,050	600	450	–	Intesa Sanpaolo – Unsecured loan €3m 13.07.22
	–	–	–	–	–	–	Intesa Sanpaolo – Unsecured loan €20m 30.06.26
	3,600	12	3,588	1,194	2,394	–	MPS – Unsecured loan €6m 31.12.23
	846	1	845	845	–	–	UBI – Unsecured loan €5m 06.06.21
	2,500	–	2,500	2,500	–	–	UBI – Unsecured loan €3m 13.05.21
	6,000	19	5,981	2,987	2,995	–	UniCredit – Unsecured loan €15m 31.12.22
	6,000	6	5,994	373	5,621	–	UniCredit – Unsecured loan €6m 30.09.25
	–	–	–	–	–	–	UniCredit – Unsecured loan €10m 30.06.26
	–	–	–	–	–	–	Simest – Facilitated loan "Capitalisation" 31.12.27
	–	–	–	–	–	–	Simest – Facilitated loan for "Fairs and Exhibitions" 08.04.25
	77,257	**175**	**77,082**	**23,374**	**46,968**	**6,740**	**Total Sanlorenzo S.p.A.**

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2021					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Bluegame S.r.l.								
Banco BPM – Unsecured loan €350k 31.01.22	2.80%	2021	–	–	–	–	–	–
UniCredit – Unsecured loan €4.5m 30.09.25	0.25%	2025	4,219	3	4,216	1,124	3,092	–
Simest – Facilitated loan "Capitalisation" 31.12.27	0.55%	2027	357	–	357	–	268	89
Total Bluegame S.r.l.			**4,576**	**3**	**4,573**	**1,124**	**3,360**	**89**
Sanlorenzo of the Americas LLC								
Intesa Sanpaolo – Uncommitted credit facility $10m	2.00%	A revoca	1,425	–	1,425	1,425	–	–
Total Sanlorenzo of the Americas LLC			**1,425**	**–**	**1,425**	**1,425**	**–**	**–**
Group total			**95,487**	**121**	**95,366**	**29,675**	**62,508**	**3,183**

31 December 2020						
Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
						Bluegame S.r.l.
99	–	99	91	8	–	Banco BPM – Unsecured loan €350k 31.01.22
4,500	4	4,496	280	4,216	–	UniCredit – Unsecured loan €4.5m 30.09.25
–	–	–	–	–	–	Simest – Facilitated loan "Capitalisation" 31.12.27
4,599	**4**	**4,595**	**371**	**4,224**	**–**	**Total Bluegame S.r.l.**
						Sanlorenzo of the Americas LLC
1,827	–	1,827	1,827	–	–	Intesa Sanpaolo – Uncommitted credit facility $10m
1,827	**–**	**1,827**	**1,827**	**–**	**–**	**Total Sanlorenzo of the Americas LLC**
83,683	**179**	**83,504**	**25,572**	**51,192**	**6,740**	**Group total**

26. Trade payables

31 December 2021	31 December 2020	Change	Variazione
Payables to suppliers	119,972	137,059	(17,087)
Payables to associated companies	153	153	–
Payables to holding company	–	26	(26)
Trade payables	**120,125**	**137,238**	**(17,113)**

Trade payables include payables to suppliers and payables to associated companies and the holding company. Payables to suppliers amounted to €119,972 thousand and €137,059 thousand as at 31 December 2021 and 31 December 2020, respectively.
Payables to associated companies show a balance of €153 thousand, unchanged compared to the previous year.
The breakdown of trade payables as current and non-current is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Payables to suppliers	119,972	137,059	(17,087)
of which current	*119,972*	*137,059*	*(17,087)*
Payables to suppliers	**119,972**	**137,059**	**(17,087)**

The breakdown of trade payables by geographical segment is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Italy	114,088	129,915	(15,827)
Europe – Other countries	3,203	4,759	(1,556)
Americas	820	2,280	(1,460)
APAC	1,817	92	1,725
MEA	44	13	31
Payables to suppliers	**119,972**	**137,059**	**(17,087)**

27. Other current liabilities

(€'000)	31 December 2021	31 December 2020	Change
Social security contributions	1,904	1,936	(32)
Other liabilities	10,669	6,926	3,743
Accrued expenses and deferred income	10,065	9,504	561
Other current liabilities	**22,638**	**18,366**	**4,272**

Social security contributions refer to payables outstanding at the end of the year. The item consists of amounts due to INPS, INAIL and Previndai (Italian social security institutions) for contributions due on wages and salaries. They were equal to €1,904 thousand as at 31 December 2021 and €1,936 thousand as at 31 December 2020.
Other liabilities amounted to €10,669 thousand and €6,926 thousand as at 31 December 2021 and 31 December 2020, respectively. The increase of €3,743 mainly relates to the Parent Company and refers to the payable to employees for salaries and accruals.
Accrued expenses and deferred income were up between 2020 and 2021 by €561 thousand. Deferred income mainly refers to commissions due, which accrue according to the progress of work on the construction of boats.

28. Employee benefits

(€'000)	
Balance as at 31 December 2020	**845**
Accruals	346
Interest	4
Utilisations	(158)
Incoming and outgoing employees	–
Present value as at 31 December 2021	**1,037**
Net actuarial gains/(losses) based on past experience	12
Net actuarial gains/(losses) arising on changes to demographic assumptions	–
Net actuarial gains/(losses) arising on changes to financial assumptions	9
Balance as at 31 December 2021	**1,058**

Post-employment benefits are recognised by the Group's Italian companies, in line with reference national legislation. They include benefits accrued by employees at the reporting date, net of advances received or sums transferred to the Italian pension funds Previndai, Gomma Plastica, Cometa or other pension funds or the INPS Treasury Fund.
In accordance with IAS 19, post-employment benefits are measured using actuarial valuation methods performed by an external expert. These methods are revised when necessary.
Post-employment benefits amounted to €1,058 thousand as at 31 December 2021.

The main financial and demographical assumptions are set out below with annual turnover rates and possible advances given to employees used to determine the present value of the liability related to post-employment benefits.

FINANCIAL ASSUMPTIONS

	31 December 2021	31 December 2020
Annual discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.80%
Annual growth rate of post-employment benefits	2.81%	2.10%
Annual remuneration growth rate	0.50%	0.50%

DEMOGRAPHICAL ASSUMPTIONS

Mortality	RG48 mortality tables published by the State General Accounting Department
Disability	INPS tables by age and gender
Retirement	100% upon achievement of AGO requirements

ANNUAL TURNOVER RATE AND ADVANCES OF POST-EMPLOYMENT BENEFITS

	31 December 2021	31 December 2020
Advances	1.00%	1.00%
Turnover rate	1.50%	1.50%

As at 31 December 2021, net actuarial gains based on past experience were equal to €12 thousand. These are gains/(losses) due to variations from one valuation to another in terms of new, outgoing and retired employees, requests for advances, etc. that differ from those assumed. There was also a net actuarial gain arising on changes in financial assumptions equal to €9 thousand.

29. Provisions for risks and charges

Provisions for risks and charges

(€'000)	Provision for tax claims	Warranties	Pre-owned	Exchange rates fluctuations	Total
Provisions for risks and charges as at 31 December 2020	**6,589**	**4,782**	**2,697**	**–**	**14,068**
Accruals for the year	3,332	650	779	150	4,911
Utilisations in the year	(4,000)	–	(2,165)	–	(6,165)
Provisions for risks and charges as at 31 December 2021	**5,921**	**5,432**	**1,311**	**150**	**12,814**

Provisions for risks and charges include the provision for disputes, the provision for warranties, the provision for foreign exchange fluctuations and the provisions for risks on pre-owned boats.
In turn, they may be analysed as follows:

- Provision for disputes: refers to the amount prudently set up by the Parent Company. The item stood at €5,921 thousand as at 31 December 2021 and €6,589 thousand as at 31 December 2020. Further details of current disputes are provided in the following paragraph.
- Provisions for warranties: item quantified based on the best estimate to date of the possible costs that will be incurred for repairs under warranty on yachts already sold at the end of the financial year and for which contract revenue has been recognised; The provision for warranties covers the new yachts of the Parent Company and the subsidiary Bluegame S.r.l. The item stood at €5,432 thousand as at 31 December 2021 and €4,782 thousand as at 31 December 2020. The warranty period is two years for new yachts and one year for pre-owned boats.

- Provision for risks on pre-owned boats: as at 31 December 2021, it had a value of €1,311 thousand and as at 31 December 2020, it was equal to €2,697 thousand. Refers to risks arising from commitment for withdrawing pre-owned boats on new yachts.
- Provision for exchange rate fluctuations: at 31 December 2021 the value amounted to €150 thousand.

A breakdown of the provision for warranties between its current and non-current portions is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Warranties	**5,432**	**4,782**	**650**
of which current	*3,998*	*3,393*	*605*
of which non-current	*1,434*	*1,389*	*45*
Total	**5,432**	**4,782**	**650**

All other provisions are current.

Administrative, in-court and arbitration proceedings

Administrative, in-court and arbitration proceedings in which Sanlorenzo Group is involved

At the approval date of these Consolidated Financial Statements, Sanlorenzo Group is involved in legal proceedings as part of its normal business activities. They could lead to fines or compensation for damage having to be paid.

As far as is known, these legal proceedings are normal given the Group's operations and size and the risks inherent in its business. Specifically, at the approval date of these Consolidated Financial Statements, neither the holding company Sanlorenzo S.p.A nor the other Group's companies are involved in legal proceedings that could have a significant adverse effect. However, it cannot be excluded that their outcome could negatively affect the Group's financial position, financial performance and cash flows in the future.

Assisted by its legal advisors, the Group has not set up a specific provision for the possible liabilities that could arise from the proceedings in its Consolidated Financial Statements as it deems that a negative outcome is possible or remote.

However, the Group cannot exclude that it may be required to disburse amounts in the future should the outcome of the proceedings not be in its favour.

Except as indicated below, as at the date of approval of these Consolidated Financial Statements, there are no pending legal or arbitration disputes that may have, or have had in the recent past, significant repercussions on the financial situation or profitability of the Group.

At the date of drafting of the Consolidated Financial Statements, in relation to the arbitration proceedings brought against the Company, the latter had already booked a liability of €895 thousand in the previous Consolidated Financial Statements corresponding to the risk considered likely in respect of said proceedings, based on the estimates of its UK legal advisors.

The main proceedings and inspections involving the holding company and some Group's companies are described below.

Arbitration proceedings

At the date of approval of these Consolidated Financial Statements, the Parent Company and the Maltese company Contra Limited ("Contra") are part of an arbitration case in London. Contra, purchaser of an SD110 yacht, complained of the Company›s breach of its obligations under the sale and purchase agreement, requesting that the agreement be terminated and that the Company be ordered to repay the price paid and pay compensation for the damages allegedly incurred, amounting to approximately €10,000,000. In relation to this dispute, the Company recorded a liability of €895 thousand in the Consolidated Financial Statements corresponding to the risk assessed as probable on the basis of the estimates made by its English lawyers.

Tax proceedings

Tax proceedings are only open with regard to the Parent Company Sanlorenzo S.p.A.

Following the conclusion of the tax assessments for income tax and VAT purposes carried out by the tax authority of the region of Liguria for the 2013, 2014, 2015 and 2016 tax periods, the following have been notified:

- two notices of assessment for IRES, IRAP and VAT issued by the Italian Revenue Agency - Regional Department of Liguria and relating to the 2013 and 2014 tax years. The first assessment notice requests payment of taxes for a total of €515 thousand, plus penalties of €586 thousand and interest. The second assessment notice, requests payment of taxes for a total of €317 thousand, plus penalties of €293 thousand and interest;
- an invitation to adhere to the tax assessment for IRES, IRAP and VAT issued by the Italian Revenue Agency - Regional Department of Liguria relating to the 2015 tax period, in which critical issues are noted for taxes totalling €698 thousand plus penalties of €257 thousand and interest; as a result of the unsuccessful attempt to reach an agreement with the Office made by the Company, on 18 March 2021, the notice of assessment was served, with reference to which the Company appealed within the time limits before the Genoa Provincial Tax Commission at the end of May 2021;
- a tax audit report for IRES, IRAP and VAT issued by the Italian Revenue Agency - Regional Department of Liguria and relating to the 2016 tax year. This report contains findings for taxes amounting to a total of €2,157 thousand, whilst penalties of €2,025 thousand are estimated.

With reference to the assessment notice for the 2013 tax period, as it was not possible to settle the findings in conciliation, the Company appealed to the Genoa Provincial Tax Commission. On 14 December 2020, the Tax Commission issued a judgement in favour of the Company with regard to the main finding. With the recent notification of the appeal, the Italian Revenue Agency - Regional Department of Liguria started the procedure before the Regional Tax Commission.

With regard to the assessment notice for the 2014 tax period, as it was not possible to agree on the exceptions through conciliation proceedings, the Company filed an appeal with the tax commission of the Genoa Provincial Tax Commission. The hearing, originally set for 7 April 2021, and lastly for 3 November 2021 in order to be able to process the judgement in open court. To date, no sentence has been served.

With reference to the invitation to adhere to the agreement relating to the 2015 tax period, it should be noted that, following the unsuccessful attempt to adhere to the agreement with the Office made by the Company, on 18 March 2021, the notice of assessment was served, with reference to which an appeal within the terms was lodged before the Genoa Provincial Tax Commission at the end of May 2021. The hearing, originally set for 7 December 2021, was subsequently postponed first to 18 January 2022 and lastly, to 15 March 2022 in order to be able to process the judgement in open court. With regard to the same tax period and with reference to

the tax credit for Research and Development, the Italian Revenue Agency - Regional Department of Liguria has requested specific clarifications, to which the Company responded through its defence counsel.
With regard to the audit on the 2016 tax period, the Italian Revenue Agency - Regional Department of Liguria has informed the Company that it had forwarded the documentation regarding the tax credit for Research and Development to the Ministry of Economic Development, to which it pertains to express an opinion on the technical issues regarding the eligibility of expenses included in the scope of the tax benefit. The outcome of this assessment has not yet been disclosed.
In view of the risk relating to the aforementioned tax audits, the Company set aside a specific accrual amounting to €3,320 thousand as at 31 December 2021, which is currently considered adequate.

Administrative proceedings
At the date of approval of these Consolidated Financial Statements, the Company is not involved in significant administrative proceedings.
To the date of these Consolidated Financial Statements, it is a party to other legal proceedings involving immaterial amounts but for which it could be found liable and, hence, required to pay settlements and possible legal costs.

30. Financial instruments – Fair values and risk management

Derivatives

The Group uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. The item includes the fair value of the derivative instruments outstanding at each reference date.
Specifically, as at 31 December 2021, the Group had the following derivatives in its portfolio:

- forward agreements relating to sales of US dollar against Euro for a notional total of €105,563 thousand taken out by the Parent Company and Bluegame S.r.l. and designated as hedges of the amounts received in US dollars by the subsidiary Sanlorenzo of the Americas LLC;
- interest rate swaps and interest rate caps for a notional total of €62,027 thousand taken out by the Parent Company and Bluegame S.r.l. and designated as interest rate hedges on floating rate medium/long-term loans.

The following table shows the fair value of financial instruments at the end of each period. As the derivatives used by the Group are based on observable market data, their valuation takes place at fair value level 2.

(€'000)	31 December 2021	31 December 2020	Change
Derivative assets			
Currency hedges	121	1	120
Interest rate hedges	196	646	(450)
Total assets	**317**	**647**	**(330)**
Derivative liabilities			
Currency hedges	(165)	–	(165)
Interest rate hedges	(2,191)	(515)	(1,676)
Total liabilities	**(2,356)**	**(515)**	**(1,841)**

Financial risk management

Credit risk

Credit risk represents the Group's exposure to potential losses resulting from the failure of the counterparty to fulfil its obligations.
Given the particularity of the products sold, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership. The yacht sale contracts also provide for the Company's right to withdraw from the contract in the event of non-payment of any sum due within the established terms, with the consequent withholding by the Company of any amount collected, refunding to the defaulting party the amounts paid by the latter with the proceeds from the resale of the yacht to a new purchaser, net of expenses, interest and an amount for loss of earnings.
Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Group business, the Group has a prevention and monitoring system, using external sources and internal systems that allow preventive controls on customers' reliability and solvency. Provisions are also made for doubtful or non-performing positions pending the conclusion of the related legal proceedings or out-of-court recovery attempts. The loss allowance is deemed to be adequate to cover the risk of credit losses. For further details, please refer to the note "Trade receivables" in these financial statements.

Liquidity risk

Liquidity risk is represented by the possibility that a Group company or the Group may find itself in the position of not being able to meet its payment commitments, whether foreseen or unforeseen, due to a lack of financial resources, thus jeopardizing day-to-day operations or the financial position of the individual of the Company or the Group.
Liquidity risk may arise from any difficulty in obtaining timely financing to support operating activities and may result in the inability to obtain the necessary resources at reasonable conditions.
Cash flows, funding requirements and liquidity are under the control of the Parent Company, with the aim of ensuring effective management of financial resources.
The Group has dealt with liquidity risk by reinvesting cash flows from operations, in addition to obtaining substantial lines of credit with a number of banks, the total amount of which is deemed more than sufficient to meet its financial requirements, also taking into account the effects of the seasonal nature of the sector on cash flows. The concentration of the collection of orders and deliveries in specific periods of the year, against the constant flow of payments to Group suppliers and contractors, has in fact, an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which short-term financial debt may be higher as a result of the lower flow of collections. The Group therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements.
As at 31 December 2021 the Group has bank credit lines to meet liquidity requirements equal to €130,503 thousand[17], in addition to €141,589 thousand of cash and against a total gross debt of €102,583 thousand (including lease liabilities and the fair value of derivatives).
For further details on the maturities of the financial payable, see the note "Financial liabilities" in these financial statements.

[17] *Not including lines of credit for reverse factoring and confirming.*

Exposure to interest rate fluctuation

The Group is exposed to changes in interest rates on its medium-long term floating rate debt instruments, entirely referring to the Euro zone. The management of interest rate risk is consistent with established practice over time aimed at reducing the risk of volatility in interest rates and achieving an optimal mix between variable and fixed rates in the structure of loans, thereby mediating fluctuations in market interest rates in order to pursue, at the same time, the objective of minimising financial expense.
The Group manages the risk of interest rate fluctuations through the use of derivative hedging instruments, such as interest rate swaps or interest rate caps with financial counterparties of primary standing.
As at 31 December 2021, the Group has 9 interest rate swaps and 1 interest rate cap in place for a total notional amount of €62,027 thousand, against medium/long-term bank debt at floating rates of €76,149 thousand.
The following table shows an analysis of the sensitivity of derivative instruments on interest rates, carried out by applying to the portfolio a variation, positive or negative, of the interest rate curve in Euro of 10 basis points.

(€'000)	Fair value as at 31 December 2021	Change +10 basis points	Change -10 basis points
Interest rate hedges	121	85	(172)

Exposure to exchange rate fluctuations

The geographical distribution of Group commercial activities entails exposure to transaction and translation exchange rate risk.
Transaction risk arises from primarily commercial transactions carried out by individual companies in currencies other than their functional currency, as a result of fluctuations in exchange rates between the time at which the relationship originates and the time at which the transaction is completed (collection/payment).
In terms of revenues, the Euro is the most commonly used invoicing currency for the sale of yachts. The residual cases of sales of yachts in other currencies exclusively concern contracts signed by the subsidiary Sanlorenzo of the Americas denominated in US dollars.
The Group manages the risks of changes in foreign exchange rates on US dollar sales through its foreign currency sales pricing policy and through the use of derivative financial instruments. In particular, when setting the sale price in foreign currency, the Group, starting from its own margin objectives in Euro, usually applies the exchange rate in force on the date of stipulation of the contract and start of construction of the vessel, increased by the financial component (cost of carry) connected with the expected timing of receipts from the sale. On these maturities, the Group carries out hedging operations through derivative instruments, typically forwards or other types of forward sale with financial counterparties of primary standing, implementing a policy of hedging only transactional exchange rate risk, thus deriving from existing commercial transactions and future contractual commitments.
As at 31 December 2021, the Group had forward contracts for the sale of US dollars relating to collections to be received for a total notional amount of €105,563 thousand.

The following table shows an analysis of the sensitivity of derivative instruments on exchange rates, carried out by applying to the portfolio a variation, positive or negative, of the Euro against the US dollar equal to 5%.

(€'000)	Fair value as at 31 December 2021	Appreciation of 5% of US Dollar against Euro	Depreciation of 5% of US Dollar against Euro
Currency hedges	(1,995)	(7,637)	3,111

As far as costs are concerned, as production is carried out in Italy with Italian suppliers and contractors, costs in currencies other than the Euro are residual and sporadic, and therefore no hedging operations are carried out. The translation risk concerns the conversion into Euro of the assets and liabilities of Sanlorenzo of the Americas, which is the only subsidiary with a functional currency other than the Euro, for the preparation of the Consolidated Financial Statements. This exposure, which is monitored at the end of each accounting period, is limited, also in view of the fact that assets are offset by liabilities in the same currency. Therefore, at this stage, it has been decided not to adopt specific hedging policies for this exposure.

GROUP STRUCTURE

31. Subsidiaries

These Consolidated Financial Statements as at 31 December 2021 were prepared on the basis of the accounting positions of the Parent Company and its subsidiaries, adjusted to ensure compliance with the IFRS.
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has at the same time, the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date on which it ends.
The Consolidated Financial Statements of the Sanlorenzo Group as at 31 December 2021 include Sanlorenzo S.p.A. (Parent Company), six companies directly controlled by Sanlorenzo S.p.A. - Bluegame S.r.l., PN Sviluppo S.r.l., PN VSY S.r.l., Marine Yachting Monaco S.A.M., Sanlorenzo Baleari SL and Sanlorenzo of the Americas LLC - and Fortune Yacht LLC, a company indirectly controlled through Sanlorenzo of the Americas LLC.
The following table provides information, as at 31 December 2021, concerning the name and registered office of all subsidiaries, as well as the Group's direct or indirect holding in their share capital.

Company name	Registered office	Currency	Share capital (currency unit)	Holding	
				Direct	Indirect
Bluegame S.r.l.	Ameglia (SP) – Italy	Euro	100,000	100.0%	–
PN Sviluppo S.r.l.	Viareggio (LU) – Italy	Euro	40,000	100.0%	–
PN VSY S.r.l.	Viareggio (LU) – Italy	Euro	10,000	100.0%	–
Sanlorenzo Baleari SL	Puerto Portals, Mallorca – Spain	Euro	500,000	100.0%	–
Marine Yachting Monaco S.A.M.	Monte-Carlo – Principality of Monaco	Euro	150,000	99.7%	–
Sanlorenzo of the Americas LLC	Fort Lauderdale (FL) – USA	USD	2,000,000	90.0%	–
Fortune Yacht LLC	Fort Lauderdale (FL) – USA	USD	1,000	–	90.0%

Bluegame S.r.l.

This company, with registered office in Ameglia, was set up at the end of 2017 to acquire the historical "Bluegame" brand from Open Boat Italia, a company owning yacht moulds, under deed of arrangement. In 2019, the Parent Company acquired a 49.5% stake in Bluegame from other shareholders, which, added to the 50.5% stake already in its possession, has given it a 100% stake.
The company ended 2021 with a net profit equal to €3,128 thousand, up significantly compared to the €2,024 thousand recorded in 2020.

Sanlorenzo of the Americas LLC

Based in Fort Lauderdale (Florida, USA), this company's business objective is to sell Sanlorenzo yachts to international customers in Canada, the US and Central and South America as well as acting as a dealer and providing post-sale support in these markets. Since its incorporation in September 2008, Sanlorenzo of the Americas has steadily promoted the Sanlorenzo brand in the American markets.
On 15 July 2019, Sanlorenzo S.p.A sold a 10% stake in Sanlorenzo of the Americas to the Chief Executive Officer of the company, Marco Segato.
In the year ended 31 December 2021, the subsidiary recorded a €3,280 thousand gain for IFRS purposes, against a €77 thousand gain as at 31 December 2020.

Sanlorenzo Baleari SL

This company, based in Puerto Portals, Mallorca (Spain) with a share capital of €500 thousand, provides support to the sales and customer service activities in Spain and the Balearic Islands.
In 2020, Sanlorenzo S.p.A. subscribed the entire share capital, increasing its stake from 51% to 100%.
In 2021, the company recorded a profit equal to €270 thousand and in 2020, it recorded a profit equal to €183 thousand.

Marine Yachting Monaco S.A.M.

The company, with registered office in the Principality of Monaco and a share capital of €150 thousand, carries out sales support and service activity to customers in the area.
On 28 September 2020, Sanlorenzo S.p.A. acquired a 40.0% stake in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Currently, Sanlorenzo S.p.A. holds 99.7% of the share capital of Marine Yachting Monaco.
The company closed 2021 with a loss of €45 thousand and 2020 with a loss of €89 thousand.

PN VSY S.r.l.

The company, with registered office in Viareggio and share capital of €10 thousand, was incorporated in April 2021. On 8 July 2021, PN VSY S.r.l. acquired the business unit of the company Viareggio Superyachts S.r.l. in liquidation, including a building located in Viareggio near the Sanlorenzo shipyards, as well as plant and equipment. The building, with a production area of approximately 3,000 square metres, was used for the fitting out of metal superyachts, notably of the new X-Space line.
The company closed 2021 with a profit of €3 thousand.

PN Sviluppo S.r.l.

The company, based in Viareggio and with a share capital of €40 thousand, was established in December 2021 and holds 50% of the share capital of Restart S.p.A., a 50:50 joint venture established with Ferretti Group to take part in the auction for the acquisition of Perini Navi S.p.A., awarded in December 2021 to a third bidder.
The company closed 2021 with a loss of €2 thousand.

Fortune Yacht LLC

The company, headquartered in Fort Lauderdale and with a capital of USD 1 thousand, is wholly owned by Sanlorenzo of the Americas LLC and conducts brokerage activities in the American market.
The company closed 2021 with a profit of €161 thousand.

32. Associated companies

The Parent Company holds the following equity investments in associated companies, included in the Company's financial statements with the equity method:

- 49.81% stake in the company Polo Nautico Viareggio S.r.l. ("Polo Nautico"), which manages, for the consortium companies, an area of approximately 7,000 square metres on the seafront, complete with mooring quays and the relevant equipment and services in Viareggio.
- 50% stake in Restart S.p.A., a 50:50 joint venture with Ferretti Group established on 28 April 2021 to take part in the auction for the acquisition of the Perini Navi S.p.A. assets.

ADDITIONAL INFORMATION

33. Commitments

The most significant contractual commitments undertaken with third parties as at 31 December 2021 refer to:

- corporate guarantees issued by the Parent Company on a loan granted to a brand representative for the purchase of boats of the Group equal to €4,042 thousand;
- corporate guarantee issued by the Parent Company in favour of Banco BPM for a €1,907 thousand loan granted to the associate Polo Nautico Viareggio S.r.l.;
- sundry sureties for a total of €295 thousand relating to state concessions, guarantees issued to public administrations, etc.

34. Contingent liabilities

Legal proceedings are ongoing for events related to the group's normal business activities. They include a tax dispute and some civil proceedings mostly with customers.
The Company's directors do not believe that any of these proceedings involve a risk of a significant cash outlay or may give rise to significant liabilities in excess of the allocations already made. They will evaluate any negative developments that cannot currently be foreseen or calculated, which may arise as a result of internal analyses or the ongoing judicial investigations and may then make a provision.

35. Share-based payments

On 21 April 2020, the Shareholders' Meeting of Sanlorenzo S.p.A. approved, pursuant to and for the purposes of Article 114-bis of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance), the adoption of an incentive and loyalty plan called "Stock Option Plan 2020" reserved to the executive directors, general managers, managers with strategic responsibilities and employees with a permanent employment contract and qualification as at least an office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The Stock Option Plan 2020 provides for the free assignment to each of the beneficiaries of options that grant the right to subscribe ordinary shares of Sanlorenzo S.p.A. to be issued in execution of the share capital increase planned to service the plan, at a ratio of 1 share for each 1 option, at a price set at €16.00 per share.
Performance goals are determined by one or more of the following parameters: (i) consolidated EBITDA as at 31 December of the relevant year; (ii) consolidated Net Financial Position as at 31 December of the relevant year; and (iii) personal objectives established due to the Beneficiary's role and function.
The maximum total number of ordinary shares of Sanlorenzo S.p.A., which can be assigned to the beneficiaries for the implementation of the Plan, is equal to 884,615 ordinary shares, i.e. all the shares that can be issued in execution of the capital increase. As at 31 December 2021, a total of 868,671 options have been granted.
The vesting period of the options is four years, in compliance with the minimum average vesting period of two years provided for by the regulations.
As at 10 December 2021, the initial exercise date for the first tranche tied to the achievement of 2020 performance targets, a total of 199,512 options were exercisable, of which 39,268 options were exercised by the end of the fiscal year.

36. Related parties

Business and financial relationships with related parties are governed under market conditions, taking into account the characteristics of the goods and services provided.
Transactions with related parties deemed relevant pursuant to the "Procedure governing related party transactions" adopted by the Group, available on the Company's website (www.sanlorenzoyacht.com) under the "Corporate Governance" section, are described below.
Economic transactions and balances with consolidated companies were eliminated on consolidation and, therefore, are not commented upon.
In 2021, outstanding transactions with related parties regard primarily commercial and financial transactions carried out under market conditions, as listed below.

Holding Happy Life S.r.l.
Business transactions with Holding Happy Life S.r.l. (HHL), the holding company of Sanlorenzo, regard the contract for the acquisition of a Sanlorenzo yacht – SX112 – signed on 26 June 2019 based on the approval resolution of the Sanlorenzo Board of Directors of 24 June 2019 pursuant to the regulations on conflicts of interests. The yacht was delivered in 2020; following delivery, HHL made the yacht available to Sanlorenzo for marketing activities pursuant to the charter agreement stipulated between the parties.
On 16 November 2020, the contract for the supply of a new vessel – SP110 – was also signed, after approval of the Board of Directors of Sanlorenzo on 9 November 2020. On 5 November 2021, HHL and Sanlorenzo entered into an agreement to provide the aforementioned yacht, a contract previously approved by the Related Party Transactions Committee on 3 November 2021 and the Board of Directors on 4 November 2021.
On 13 September 2021, the Sanlorenzo Board of Directors, subject to the positive opinion of the Related Party Transactions Committee on 30 July 2021, approved the sale to HHL of the prototype of the superyacht SL 50Steel equipped with a hybrid propulsion system and fuel cells for the generation of electricity on board. For this operation, a letter of intent was signed prior to the signing of the contract and the deposit cashed, pending the definition of certain technical aspects of the vessel.
On 10 December 2021, the Sanlorenzo Board of Directors, subject to the positive opinion of the Related Party Transactions Committee, approved the purchase of the Sanlorenzo SX112 yacht from HHL.

Nuova Nautical Transports S.r.l.
Business transactions with Nuova Nautical Transports S.r.l., the chief executive officer of which, Gian Paolo Tamburini, is the uncle of the Chairman Massimo Perotti and great uncle of the director Cecilia Maria Perotti, regard the on-road goods transport activity for Sanlorenzo, pursuant to the framework agreement entered into on 6 April 2020, expiring on 31 December 2022, based on the resolution of the Sanlorenzo Board of Directors of 20 March 2020.

World Yachts S.r.l.
Business transactions with World Yachts S.r.l., the shareholder and chief executive officer of which, Glenda Cecchi, is the wife of the senior executive Ferruccio Rossi, regard supplies of materials to Sanlorenzo, pursuant to the framework agreement concluded on 6 April 2020, expiring on 31 December 2022, after the resolution of the Sanlorenzo Board of Directors on 20 March 2020.

Fondazione Sanlorenzo

Transactions with the Fondazione Sanlorenzo, established by the Perotti family on 19 April 2021, are related to the non-exclusive and free use license of the brand "Sanlorenzo" for the purpose of carrying out the foundation's institutional activities and to the initial contribution of €50,000 paid in June 2021, following the resolution of the Sanlorenzo Board of Directors of 4 May 2021.

Cesare Perotti

Son of the Chairman Massimo Perotti and brother of the director Cecilia Maria Perotti, Cesare Perotti was hired by the subsidiary Bluegame S.r.l. with an apprenticeship contract, transaction examined by the Board of Directors on 9 November 2020.

Ferruccio Rossi

Financial transactions with the senior executive Ferruccio Rossi regard a loan granted by Sanlorenzo on 9 July 2018. In February 2021, the Related Party Transactions Committee and the Board of Directors approved the new terms.

Antonio Santella

Financial transactions with the senior executive Antonio Santella regard a loan granted by Sanlorenzo on 20 July 2018. In February 2021, the Related Party Transactions Committee and the Board of Directors approved the new terms.

The tables below provide information on transactions with related parties as at 31 December 2021 impacting the income statement as well as the balance sheet.

(€'000)	Revenues	Costs for raw materials, consumables and finished products	Outsourcing costs	Other service costs	Personnel expenses	Net financial income/ (expenses)
Holding Happy Life S.r.l.	4,182	(9,000)	–	(144)	–	–
Nuova Nautical Transports S.r.l.	–	–	–	(484)	–	–
World Yachts S.r.l.	6	(2,361)	(53)	(4)	–	–
Fondazione Sanlorenzo	–	–	–	(50)	–	–
Ferruccio Rossi	–	–	–	–	(868)	2
Antonio Santella	–	–	–	–	(2,029)	1
Cesare Perotti	–	–	–	–	(36)	–
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	(3,042)	(4,055)	–
Total related parties	**4,188**	**(11,361)**	**(53)**	**(3,724)**	**(6,988)**	**3**
Total consolidated financial statements	**673,533**	**(247,780)**	**(198,750)**	**(54,146)**	**(45,527)**	**1,160**
Incidence %	*0.6%*	*4.6%*	*0.0%*	*6.9%*	*15.3%*	*0.3%*

(€'000)	Other current assets	Contract assets	Trade receivables	Contract liabilities	Trade payables	Other current liabilities
Holding Happy Life S.r.l.	–	–	7,320	4,818	–	–
Nuova Nautical Transports S.r.l.	20	–	–	–	27	–
World Yachts S.r.l.	–	–	–	–	665	–
Ferruccio Rossi	200	–	2	–	–	392
Antonio Santella	100	–	1	–	–	73
Cesare Perotti	–	–	–	–	–	2
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	–	1,928
Total related parties	**320**	**–**	**7,323**	**4,818**	**692**	**2,395**
Total consolidated financial statements	**54,337**	**117,194**	**18,310**	**102,948**	**120,125**	**22,638**
Incidence %	0.6%	0.0%	40.0%	4.7%	0.6%	10.6%

Remuneration paid by the Group

The remuneration paid by the Group to the members of the Board of Directors, the members of the Board of Statutory Auditors and the Managers with strategic responsibilities during the year is provided below:

(€'000)	31 December 2021
Emoluments	2,862
Remuneration for participation in committees	34
Total remuneration paid to the Board of Directors	**2,896**

(€'000)	31 December 2021
Total remuneration paid to the Board of Statutory Auditors (excluding the additional charges provided by the law)	84
Total remuneration paid to the Board of Statutory Auditors	**84**

(€'000)	31 December 2021
Total remuneration paid to the Managers with strategic responsibilities	**6,988**
of which gross annual salary	*2,596*
of which bonus	*2,869*
of which non-competition agreement	*70*
of which fair value of stock options	*141*

37. Remuneration to the Independent Auditing Firm

Pursuant to Article 149-duodecies of the Issuers' Regulations, the remuneration paid to the Independent Auditing Firm is provided below.

(€'000)	Service provider	Remuneration for 2021
Auditing	BDO Italia S.p.A..	105
Total remuneration paid to the Independent Auditing Firm		**105**

38. Information pursuant to Article 1, paragraph 125, of Italian Law no. 124, 4 August 2017

During 2021, the following State aids were awarded to the companies of the Group, consisting of:

- economic and financial benefits under the "Temporary Framework for State Aid Measures to Support the Economy in the Current Emergency of COVID-19" as amended and supplemented (Temporary Framework);
- economic and financial advantages within the framework of the "Interprofessional Funds for Continuing Education for the Granting of State Aid";
- economic and financial benefits as part of the "Italian Law Decree no. 34/2020 - urgent measures on health, support for work and the economy as well as social policies related to the epidemiological emergency from COVID-19".

Beneficiary	Amount recognised (Euro)	Description
Sanlorenzo S.p.A.	60,000	Interest subsidy under the "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - participation of companies in Fairs and Exhibitions - remedy to a serious disturbance in the economy
Sanlorenzo S.p.A.	1,207	Repayable advance under "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - promotion of export and internationalisation - participation of companies in Fairs and Exhibitions - promotion of export and internationalisation
Sanlorenzo S.p.A.	320,000	Interest subsidy under the "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - intervention to support the capitalization of exporting companies - remedy to a serious disturbance in the economy
Sanlorenzo S.p.A.	5,187	Repayable advance under "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - intervention to support the capitalisation of exporting companies - promotion of export and internationalisation
Sanlorenzo S.p.A.	16,085	Interest rate subsidy related to Continuing Education
Sanlorenzo S.p.A.	19,290	Interest rate subsidy related to Continuing Education
Bluegame S.r.l.	23,642	Repayable advance under "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - intervention to support the capitalisation of exporting companies - promotion of export and internationalisation
Bluegame S.r.l.	237,920	Interest subsidy under the "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - intervention to support the capitalization of exporting companies - remedy to a serious disturbance in the economy
Bluegame S.r.l.	15,162	Tax relief as part of the "DL 34/2020 - urgent measures regarding health, support for work and the economy as well as social policies related to the epidemiological emergency from COVID-19" - provisions regarding payments of IRAP - remedy for a serious disturbance in the economy

Pursuant to the provisions of Article 125-quinquies of Italian Law no. 124 of 4 August 2017, for any further disbursements received, reference should be made to the indications contained in the National Register of State Aid pursuant to Article 52 of Italian Law no. 234 of 24 December 2012.

39. Management and coordination activities

In addition to the situation of control pursuant to Article 93 of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), the parent company Holding Happy Life S.r.l does not exercise management and coordination activities over Sanlorenzo pursuant to Articles 2497 et seq. of the Italian Civil Code.

ACCOUNTING STANDARDS

40. Significant accounting standards

The accounting standards described below have been consistently applied to all periods included in these Consolidated Financial Statements, unless otherwise indicated (see also note "Significant accounting standards" in these financial statements).
Some items of statement of profit/(loss) and other comprehensive income presented for comparative purposes have been reclassified or restated to reflect the change in a standard (see also note "Significant accounting standards" in these financial statements).

Basis of preparation

The Consolidated Financial Statements as at 31 December 2021 include the statements of financial position, profit/(loss) and other comprehensive income, changes in equity and cash flows, and the related accompanying notes.
The Consolidated Financial Statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS include the ruling International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The Consolidated Financial Statements have been prepared using the historical cost method (any exceptions to this method are explained below) and the going concern assumption. The Directors have in fact, determined that there are no significant uncertainties (as defined by paragraph 25 of IAS 1) on business continuity.
Among the options allowed by IAS 1, the Group elected to present its assets and liabilities as current or non-current and its income statement classifying costs by nature. The statement of cash flows is prepared using the indirect method.
The significant accounting standards adopted to prepare the Consolidated Financial Statements applied to all the periods presented and by all the Group's companies are described below.
Unless specified otherwise, the accounting standards have been applied consistently to all the periods included in the Consolidated Financial Statements. Please refer to note "Significant accounting standards" for more information and details regarding the application of the accounting standards.

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred and the identifiable net assets acquired are usually recognised at fair value. The carrying amount of any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit/(loss) of the year immediately. Transaction costs, except if related to the issue of debt or equity securities, are recognised as expenses when incurred.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Normally, these amounts are recognised in profit/(loss) for the year.

The potential consideration is booked at fair value on the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit/(loss) of the year.
If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has at the same time, the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control is acquired until the date on which it ends.

Non-controlling interests
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions between shareholders.

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any profit or loss deriving from the loss of control is recognised in profit/(loss) for the year. Any interest retained in the former subsidiary is measured at fair value when control has been lost.

Equity-accounted investees
The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.
The Group has significant influence over financial and management policies of the associates, even though it does not have control or joint control.
Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The Consolidated Financial Statements include the Group's share of the profit or loss of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation
In drafting the Consolidated Financial Statements, intra-group transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Foreign currency transactions
Foreign currency transactions are translated into each company's functional currency of the Group at the exchange rate at the transaction-date.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit/(loss) of the year as finance expense.

Foreign operations
Assets and liabilities of foreign operations, including goodwill and fair value adjustments, are translated into Euro, which is the parent company's functional currency and the Consolidated Financial Statements' presentation currency. The closing rates are used. Revenue and costs of foreign operations are translated into Euro using the average period rates.
Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

Revenues from contracts with customers

In accordance with IFRS 15, revenues from contracts with customers are recognised when control of the good or service is transferred to the customer either over time or at a point in time.
In relation to pre-owned boats, since the acquisition of the same takes place following the sales of new yachts and constitutes part of the payment of the agreed price, it should be noted that, according to IFRS 15, the sale price of new yachts and therefore also the calculation of the related revenues reflects the difference between the contractually attributed value of the pre-owned boats and their relative fair value.
Contracts for the sale of new yachts that meet the requirements for the recognition of revenue over time are classified as "contract assets" or "contract liabilities" depending on whether the difference between the fulfilment of the performance obligation by the Group and the progress payments received from the customer is positive or negative. In particular:

- Contract assets include the right to the consideration for the goods or services already transferred to the customer;
- Contract liabilities show the Group's obligation to transfer goods or services to the customer for which it has already received (or has the right to receive) consideration.

If a contract has more than one performance obligation, which is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to a customer, classification as a contract asset or liability takes place considering all the performance obligations as a whole.
Assets and liabilities arising from contracts with customers where the revenue is recognised over time are measured using the cost-to-cost method, whereby the contract costs, revenue and profit or loss is recognised in line with fulfilment of the performance obligation (progress towards completion). The percentage of costs incurred at the reporting date is compared to the total costs to satisfy the performance obligation.
Conversely, if the requirements for the recognition of revenue over time are not met, revenue is recognised at a point in time. In this case, progress towards completion is recognised under inventories.
Contract assets are recognised net of any accumulated impairment losses.
Estimates are periodically updated and any economic effects are accounted for in the year in which the updates are made. Onerous contracts are treated in accordance with the methods described further on in this note.
The consideration for contracts in a currency other than the functional currency is measured by translating the accrued consideration, calculated using the percentage of completion method, using the closing rates. The Group's exchange rate risk policy requires that all contracts that expose cash flows to changes in exchange rates are hedged on time.
However, see note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.
Revenues related to maintenance, sales of spare parts and charter services activities are managed through spot orders from the client and are recognised on a "point in time" basis.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Group implements share-based payment transactions settled with equity instruments, as part of the remuneration policy adopted for executive directors, general managers, managers with strategic responsibilities and employees with a permanent contract of employment and at least one office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The theoretical benefit attributed to the beneficiaries of the stock option plan is charged to the income statement, with a contra-entry in the shareholders' equity reserve, over the period during which the beneficiaries obtain the right to the incentives (vesting period).

The amount recognised as an expense is adjusted to reflect the actual number of incentives for which the conditions of continued service and non-market performance have vested, so that the final amount recognised as an expense is based on the number of incentives meeting those conditions as of the vesting date. In the case of incentives recognised in share-based payment whose conditions are not to be considered vesting, the fair value at the grant date of the share-based payment is measured to reflect those conditions. With reference to the non-vesting conditions, any differences between the assumptions on the allocation date and the actual ones will have no impact on the financial statements.
This benefit is quantified by measuring the fair value of the shares at the grant date using financial valuation techniques, including any market conditions in the valuation, and adjusting at each reporting date the number of rights expected to be granted.

Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans
The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.
An independent actuary performs the calculation using the projected unit credit method. When the calculation generates a surplus, the Group recognises a net benefit asset to the extent of the asset ceiling, i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Net interest for the year on the net liability/(asset) for defined benefits is calculated by applying to the net liability/(asset) the discount rate used to discount the defined benefit obligation, determined at the beginning of the year, considering any changes in the net liability/(asset) for defined benefits that occurred during the year following the contributions received and the benefits paid. Net interest and other expenses on the net defined benefit are recognised in profit/(loss) for the year.
When changes are made to the benefits of a plan or when a plan is curtailed, the portion of the economic benefit relating to past service or the profit or loss resulting from the plan curtailment is recognised in the profit/(loss) of the year at the time of the adjustment or curtailment.

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. This benefit is discounted. Revaluations are recognised in profit/(loss) for the year when they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

Public contributions

Government grants relating to costs incurred during the period are recognised in profit/(loss) of the year as other income when the government grant becomes receivable. Other government grants relating to assets recorded in the balance sheet are initially recognised at fair value as deferred revenues if there is reasonable certainty that they will be received and that the Group will comply with the conditions for their receipt and are then recognised in profit/loss for the year as other income on a systematic basis over the useful life of the asset to which they refer.

Cost recognition

Costs are recognised when they relate to goods or services acquired or used in the period or on an accruals basis.

Financial income and expenses

Interest income or expense is recognised in profit/(loss) of the year using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the financial asset's useful life: – is the gross book value of the financial asset; or – at the amortised cost of the financial liability. In order to calculate interest income and expense, the effective interest rate is applied to the asset's gross carrying amount (when the asset is not impaired) or the liability's amortised cost. Moreover, when a financial asset is impaired after initial recognition, interest income is calculated by applying the effective interest rate to the financial asset's amortised cost. Should the financial asset no longer be impaired, the interest income is again calculated considering the asset's gross carrying amount.

Income taxes

The tax expense for the period includes the current and deferred taxes recognised in profit/(loss) of the year, except for those related to business combinations or captions recognised directly in equity or other comprehensive income. The Group recognises interest and fines related to income taxes, including the accounting treatment to be applied to income taxes of an uncertain nature, in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets, when they do not meet the definition of income taxes.

Current taxes
Current taxes comprise the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only when certain criteria are met.

Deferred taxes
Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognised for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction other than a business combination that does not affect either the accounting profit or loss or the taxable profit (or tax loss);
- they include temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control when they will reverse and it is probable that the temporary differences will not reverse in the foreseeable future and taxable temporary differences recognised on goodwill; and
- taxable temporary differences related to the initial recognition of the goodwill.

Deferred tax assets are recognised for unused tax losses and tax credits, as well as for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which such assets can be used. Future taxable income is defined on the basis of the cancellation of the relative deductible temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. These reductions must be reinstated when the probability of future taxable income increases.
Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that the Group will acquire future taxable profits again which they can be used.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.
Measurement of the deferred tax reflects the tax effects of how the Group expects to recover or settle the carrying amount of assets and liabilities at the reporting date.
Deferred tax assets and liabilities are offset only when certain criteria are met.

Trade receivables

Trade receivables arising on the sale of goods or services produced or sold by the Group are recognised under current assets. They are recognised at their nominal amount (shown in the invoice) net of any impairment losses, provided for on the basis of an estimate of the risk that the trade receivables will not be collected at the reporting date.
Trade receivables are subsequently measured at amortised cost, which is their initial recognition amount net of principal repayments, increased or decreased by amortisation applying the effective interest method to any difference between the initial carrying amount and their amount at repayment, less any adjustments (made directly or through the bad debts provision) due to a loss in value or because the trade receivables are not expected to be recovered.
On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.
The Group recognises impairment losses where there is objective evidence that it will not recover the amount from the counterparty in line with the contract terms.
Objective evidence includes events such as:

a) significant financial difficulty of the borrower;
b) pending legal disputes with the borrower about the recoverability of the amount;
c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows recognised in profit or loss. Unrecoverable amounts are derecognised from the statement of financial position through the bad debts provision. If in subsequent periods, the reasons for the previous impairment losses cease to exist, the value of the assets is restored up to the value that would have derived from the valuation at amortised cost.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined according to the FIFO method. In the case of inventories of products manufactured by the Group, cost includes an appropriate share of production overheads based on normal operating capacity.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost, including capitalised borrowing costs, net of depreciation and any impairment losses.
If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent costs

Subsequent costs are capitalised only when it is probable that the related future economic benefits will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation is generally recognised in profit/(loss) for the year. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.
The estimated useful lives for current and comparative periods are as follows:

Land and buildings	
Industrial buildings	3%
Buildings on third-party land	State concession term
Plants and equipment	
Plants and equipment	11.50%
Industrial and commercial equipment	
Industrial equipment	25%
Moulds and models	12.50%
Cradles	10%
Other assets	
Trade fair furniture and fittings	10%
Office furniture and equipment	12%
Furniture and electronic equipment	20%-25%
Light construction	10%
Vehicles	20%
Other	10%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Research expenditure is expensed under profit/(loss) of the year when incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, they are recognised in profit/(loss) of the year as incurred. Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets with a finite useful life are recognised at cost less amortisation and any impairment losses.

Subsequent costs

Subsequent costs are capitalised only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs, including those relating to goodwill and internally generated trademarks, are charged to the profit/(loss) of the year in which they are incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit/(loss) of the year. The estimated useful lives for current and comparative periods are as follows:

Development costs	8 years – 12.50%
Software	5 years – 20%
Mooring	Transaction term
Trademarks	18 years
Consolidation difference	10 years – 10%
Other	Based on individual transactions term

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Cash and cash equivalents

Cash and cash equivalents include cash, deposits with banks or other credit institutions available for current operations, postal accounts and other cash equivalents as well as investments with a maturity of less than three months. Cash and cash equivalents are recognised at their fair value which is usually equal to their nominal amount.

Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.

Financial assets: classification and subsequent valuation

On initial recognition, financial assets are classified according to the valuation:

- amortised cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

The Group defines their classification in line with the business model within which the financial assets are held and the contractual cash flow characteristics of the financial asset.
Financial assets are not reclassified after their initial recognition unless the Group modifies the business model for the management of financial assets. In this case, all involved financial assets are reclassified on the first day of the year following the change made to the business model.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This choice is made for each asset.
All financial assets not classified as valued at amortised cost or at FVOCI, as indicated above, are valued at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: assessment of the business model

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets: assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the following condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate elements;
- elements on prepayments and extension; and
- contract terms that limit the Group's requests for cash flows to specific assets.

Financial assets: subsequent valuation and profits and losses

Financial assets measured at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit/(loss) of the year. However, see note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.

Financial assets measured at amortised cost: these assets are subsequently valued at amortised cost in accordance with the effective interest criterion. The amortised cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit/(loss) of the year as are any derecognition gains or losses.

Debt securities measured at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit/(loss) of the year. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss of the year.

Equity securities measured at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss of the year unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit/(loss) of the year.

Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified contractual terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit/(loss) of the year.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives and hedge accounting
The Group uses derivatives to hedge its exposure to currency and interest rate risks.
Derivatives are always measured at fair value through profit or loss, unless they qualify for hedge accounting for a specific risk related to the Group's underlying asset or liability or commitments.
At inception of the designed hedging relationship, the Group documents its risk management objective and strategy, the economic relationship between the hedged item and the hedging instrument and whether changes in the cash flows of the hedged item and the hedging instrument will offset each other.

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit/(loss) of the year.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity. If a hedged forecast transaction leads to the subsequent recognition of a non-financial asset or liability, for example, inventories, the gain or loss accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the asset or liability at recognition. The gain or loss for all other hedged planned transactions is reclassified from the hedging reserve and the costs of hedging reserve to profit/(loss) in the same year or years in which the hedged future cash flows affect profit/(loss) of the year.
If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial asset or liability, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit/(loss) in the same period or periods as the hedged expected future cash flows affect profit/(loss) of the year. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit/(loss) of the year.

Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity. The resulting surplus or deficit on the transaction is recognised under share premium.

Impairment losses

Non-derivative financial instruments and contract assets

The Group recognises bad debts provisions for ECLs on:

- financial assets measured at amortised cost;
- debt investments at FVOCI;
- contract assets.

The Group measures the bad debts provision as equal to the lifetime expected credit losses, except for that set out below for the 12-month expected credit losses:

- debt instruments with a low credit risk at the reporting date; and
- other debit securities and bank current accounts with a credit risk (i.e., the default risk expected over the financial instrument's term) that has not increased significantly since initial recognition.

The bad debts provision for trade receivables and contract assets is always measured considering their lifetime expected credit losses.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group considers reasonable and supportable information that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition to estimate the expected credit losses. This includes quantitative and qualitative information and analyses, based on the Group's historical experience, on credit assessment as well as on information indicative of expected developments ("forward-looking information"). The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Bad debts provisions for financial assets measured at amortised cost are deducted from the carrying amount of the assets. For debt securities at FVOCI, the bad debts provision is charged to profit or loss of the year and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing-off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Impaired non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the Group estimated the asset's recoverable amount. The recoverable value of goodwill is, on the other hand, estimated annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit/(loss) of the year. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised when, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation.

The discount rate used to calculate the present value of the liability reflects assessments of the time value of money and the risks specific to the liability. Changes in estimates are recognised in the income statement in the year the change takes place. The disclosure required by IAS 37 - Provisions, contingent assets and contingent liabilities is not provided for some disputes in order not to jeopardise the Group's position vis-à-vis these disputes or negotiations.

Risks for which a liability is solely possible are disclosed in the section of the notes on commitments and risks and no provision is made.
With respect to contract assets and liabilities, if the business plan is revised during the contract term and the contract becomes onerous, the portion of the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it is recognised in full in the period in which they are expected to be incurred and provided for in a "Provision for onerous contracts" under current liabilities. The reversal of these provisions is recognised as absorption within "Other operating revenues".

Leases

Determining whether an arrangement contains a lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If, in the case of a financial lease, the Group decides that it is not feasible to accurately divide the instalments, then an asset and liability are recognised in an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and a finance cost on the liability is recognised using the Group's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments relating to operating leases are recognised as a cost on a straight-line basis over the lease term. The incentives granted to the lessee are recognised as an integral part of the total cost of the lease over the lease term.
Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. Interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating result

The operating result is determined by the Group's operating activities that generate ongoing revenues and by other income and costs related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting standards and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair values are allocated to different hierarchical levels on the basis of the input data used in the valuation techniques, as illustrated below.

- Level 1: when available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: in the absence of a quoted price in an active market, inputs are used that are observable for the asset or liability, either directly (prices) or indirectly (price derivatives).
- Level 3: in the absence of data in Levels 1 and 2, input data related to the asset or liability that is not based on observable market data is used.

The Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the entire valuation is placed in the same level of the hierarchy as the lowest level input that is significant to the entire valuation.

The Group records the transfers between the different levels of the fair value hierarchy at the end for the year in which the transfer has taken place. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit/(loss) of the year on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

41. New accounting standards, amendments and interpretations

IFRS accounting standards, amendments and interpretations issued by the IASB (International Accounting Standard Board), not yet obligatorily applicable and not adopted by the Company in advance as at 31 December 2021

Amendment to IFRS 3
The IASB issued amendments to IFRS 3 to update it with respect to the amendments relating to the "Conceptual for Financial Reporting" without changing the accounting requirements for business combinations. The amendments will enter into force on 1 January 2022.
The Group does not expect significant impacts from the adoption of this amendment.

Amendment to IAS 16
The amendment does not allow the deduction from the cost of the tangible asset of the amount of the sale of goods produced before the asset was ready for use (asset test phase). Revenues and related costs will be recognised in the income statement. The amendment will enter into force on 1 January 2022.
The Group does not expect significant impacts from the adoption of this amendment.

Amendment to IAS 37
The amendments are intended to specify which costs the company must include for the performance of a contract when assessing whether a contract is onerous. The amendment will enter into force on 1 January 2022.
The Group does not expect any significant impacts from the adoption of this amendment.

Amendments resulting from Annual improvements to IFRSs 2018 – 2020
The improvements amend four standards:

- IFRS 1 - Presentation of Financial Statements, allowing subsidiaries that adopt the international accounting standards after the parent company to cumulatively measure the translation differences using the amounts reported by the parent company, based on the date of transition of the parent company to IFRS;
- IFRS 9 - Financial Instruments, clarifying which commissions an entity must include when applying the "10 percent" test for the settlement of a financial liability;
- IAS 41 - Agriculture, removing the requirement of IAS 41:22 that allows to remove the cash flows due to taxation in the measurement of a biological asset. This makes IAS 41 consistent with IFRS 13 - Fair Value Measurement;
- IFRS 16 - Leasing by removing 13 from illustrative example in order not to create confusion regarding the treatment of lease incentives.

The amendments will enter into force on 1 January 2022.
The Group does not expect significant impacts from the changes brought about by these improvements.

Amendments to IFRS 17
The purpose of the amendment is to make it easier for companies to apply the standard and to correctly represent financial performance. In particular, the amendments should reduce costs by simplifying some requirements of the standard and make it easier to explain financial services. The postponement of the application of the new standard to 2023 will facilitate the transition for companies.
The Company does not expect significant impacts from the adoption of these amendments.

IFRS accounting standards, amendments and interpretations issued by the IASB (International Accounting Standards Board), for which the competent bodies of the European Union have not yet completed the approval process necessary for their adoption

Amendments to IAS 1 – Classification of liabilities as Current or Non-current

The purpose of the amendment to the standard is to clarify how to establish whether a debt or another liability with an uncertain date, in the statement of financial position, should be classified as short-term or long-term liability. In the clarifications introduced by the amendment, it is stated that a liability that recognizes the right to defer settlement for at least 12 months after the end of the reference year cannot be classified as current. It is stated that a liability must be considered "non-current" if the entity is expected to extinguish the debt within 12 months of the reference year. The amendments will come into force on 1 January 2023.
The Group does not expect a material effect in the Consolidated Financial Statements from the adoption of these amendments.

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

The change relates to the accounting standards disclosure requirements from "significant accounting standards" to "significant accounting standards disclosures." The amendments provide guidance on when accounting policy disclosures are likely to be considered material. These amendments are effective for years beginning 1 January 2023, early application is permitted.
The Group does not expect significant impacts from the adoption of this amendment.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB with these amendments added the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or valuation technique are changes in accounting estimates unless they result from the correction of prior period errors. The amendments are effective for years starting on or after 1 January 2023.
The Group does not expect significant impacts from the adoption of these amendments.

Amendment to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment clarifies how deferred taxes are to be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023. However, earlier application is permitted.
The Group does not expect significant impacts from the adoption of these amendments.

Amendment to IAS 17 – Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

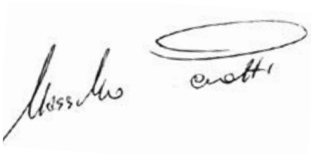
The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17 and is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for readers of financial statements.

The amendments will apply from 1 January 2023, in conjunction with the application of IFRS 17.

The Group does not expect impacts from the adoption of these amendments.

Ameglia, 10 March 2022

On behalf of the Board of Directors
Chairman and Chief Executive Officer
Mr. Massimo Perotti



certification pursuant to article 154-Bis

Certification Pursuant to Article 154-Bis of Legislative Decree 2 4 February 1998 No. 58 And Article 81-Ter of Consob Regulation No. 11971 of 14 May 1998

1. The undersigned, Massimo Perotti, in his capacity as the Chairman and Chief Executive Officer of the Board of Directors and Attilio Bruzzese, in his capacity as the Manager charged with preparing the company's financial reports of Sanlorenzo S.p.A., confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in terms of the characteristics of the Company and
   - the actual application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for 2021.
2. From the application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements as at 31 December 2021, no significant facts need to be reported.
3. It is hereby also stated that:
   3.1 the annual Consolidated Financial Statements:
      a) have been prepared in compliance with the international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
      b) correspond to the accounting books and records;
      c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation.

   3.2 The report on operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the Consolidated Financial Statements as well as description of principal risks and uncertainties to which they are exposed.

Ameglia, 10 March 2022

Mr. Massimo Perotti
Chairman and Chief Executive Officer

Attilio Bruzzese
Manager charged with preparing the company's financial reports


SEVEN SINS

IV

SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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separate financial statements

STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	12	124,171	106,625
Goodwill	13	8,667	8,667
Intangible assets with a finite useful life	14	39,626	38,009
Equity investments and other non-current assets	16	3,600	3,550
Net deferred tax assets	11	5,555	5,987
Total non-current assets		**181,619**	**162,838**
Current assets			
Inventories	17	64,312	78,681
Contract assets	18	111,750	109,253
Other financial assets, including derivatives	22	15,669	5,405
Trade receivables	19	18,064	16,866
Other current assets	20	44,863	28,533
Cash and cash equivalents	21	134,314	91,288
Total current assets		**388,972**	**330,026**
TOTAL ASSETS		**570,591**	**492,864**

(€'000)	Notes	31 December 2021	31 December 2020
EQUITY			
Share capital	23	34,539	34,500
Share premium	23	77,197	76,549
Other reserves	23	70,170	47,347
Profit/(loss) for the period		44,378	33,997
Total equity		**226,284**	**192,393**
Non-current liabilities			
Non-current financial liabilities	24	65,095	58,191
Non-current employee benefits	27	798	725
Non-current provisions for risks and charges	28	1,184	1,233
Total non-current liabilities		**67,077**	**60,149**
Current liabilities			
Current financial liabilities, including derivatives	24	30,708	25,691
Current provisions for risks and charges	28	11,997	14,078
Trade payables	25	108,814	126,384
Contract liabilities	18	103,167	49,471
Other current liabilities	26	19,345	16,402
Other current tax payables	11	2,076	1,955
Net income tax liabilities	11	1,123	6,341
Total current liabilities		**277,230**	**240,322**
TOTAL LIABILITIES		**344,307**	**300,471**
TOTAL EQUITY AND LIABILITIES		**570,591**	**492,864**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(€'000)	Notes	31 December 2021	31 December 2020
Revenues	8	622,036	482,640
Commissions	8	(18,225)	(18,462)
Net revenues		**603,811**	**464,178**
Other income	9	4,873	5,004
Total net revenues and income		**608,684**	**469,182**
Increases in assets for internal work	9	1,637	1,641
Raw materials, consumables and finished products	9	(210,491)	(172,209)
Outsourcing	9	(191,211)	(165,771)
Change in work in progress, semi-finished and finished products	9.17	(16,623)	21,897
Other service costs	9	(51,453)	(42,000)
Personnel expenses	9	(41,738)	(34,980)
Other operating costs	9	(4,729)	(3,427)
Accruals to provisions for risks and charges	9.28	(9,747)	(9,646)
Total operating costs		**(524,355)**	**(404,495)**
Operating result before amortisation/depreciation		**84,329**	**64,687**
Amortisation, depreciation and impairment of assets	9,12,14	(20,643)	(17,842)
Operating profit		**63,686**	**46,845**
Financial income	10	280	446
Financial expenses	10	(1,050)	(1,978)
Net financial income/(expenses)		**(770)**	**(1,532)**
Adjustments to financial assets	16	(25)	–
Pre-tax profit		**62,891**	**45,313**
Income taxes	11	(18,513)	(11,316)
PROFIT/(LOSS) FOR THE YEAR		**44,378**	**33,997**

(€'000)	31 December 2021	31 December 2020
Other comprehensive income		
Other comprehensive income that will not be subsequently reclassified to net profit		
Actuarial change in provisions for employee benefits	2	36
Income taxes relating to actuarial changes in provisions for employee benefits	(1)	(10)
Total	**1**	**26**
Other comprehensive income which will be subsequently reclassified to net profit		
Changes in the cash flow hedge reserve	(1,465)	451
Income taxes related to changes in the cash flow hedge reserve	352	(108)
Change in the translation reserve		
Total	**(1,113)**	**343**
Other comprehensive income for the year, net of tax effect	**(1,112)**	**369**
COMPREHENSIVE NET PROFIT FOR THE YEAR	**43,266**	**34,366**

STATEMENT OF CHANGES IN EQUITY

(€'000)	Share capital	Share premium	Total other reserves	Legal reserve	Extraordinary reserve	Other reserves	Profit for the period	Total equity
Value as at 31 December 2019	**34,500**	**76,549**	**18,441**	**1,507**	**17,460**	**(526)**	**29,059**	**158,549**
Allocation of profit for the year	–	–	29,059	1,453	27,606	–	(29,059)	–
Adjustment IFRS FTA	–	–	(37)	–	–	(37)	–	(37)
Dividends distributed	–	–	–	–	–	–	–	–
Share buy-back	–	–	(899)	–	–	(899)	–	(899)
Other changes	–	–	414	–	–	414	–	414
Net profit for the period	–	–	–	–	–	–	33,997	33,997
Other comprehensive income	–	–	369	–	–	369	–	369
Value as at 31 December 2020	**34,500**	**76,549**	**47,347**	**2,960**	**45,066**	**(679)**	**33,997**	**192,393**
Allocation of profit for the year	–	–	33,997	1,699	32,278	20	(33,997)	–
Dividends distributed	–	–	(10,331)	–	(10,331)	–	–	(10,331)
Share buy-back	–	–	–	–	–	–	–	–
Stock option exercise	39	648	(59)	–	–	(59)	–	628
Other changes	–	–	328	–	–	328	–	328
Net profit for the period	–	–	–	–	–	–	44,378	44,378
Other comprehensive income	–	–	(1,112)	–	–	(1,112)	–	(1,112)
Value as at 31 December 2021	**34,539**	**77,197**	**70,170**	**4,659**	**67,013**	**(1,502)**	**44,378**	**226,284**

STATEMENT OF CASH FLOWS

(€'000)	Notes	31 December 2021	31 December 2020
Cash flow from operating activities			
Profit for the year		44,378	33,997
Adjustments for:			
Depreciation of property, plant and equipment	9.12	14,859	12,838
Amortisation of intangible assets	9.14	5,784	5,004
Impairment on intangible assets and goodwill	13.14	–	–
Impairment losses on financial assets (other equity investments)	16	25	–
Net financial expense	10	770	1,532
Gain on sale of property, plant and equipment		61	(36)
Impairment losses on trade receivables	19	–	–
Income taxes	11	18,513	11,316
Changes in:			
Inventories	17	14,369	(17,414)
Contract assets	18	(2,497)	(33,472)
Trade receivables	19	(1,198)	10,201
Other current assets	20	(16,330)	12,757
Trade payables	25	(17,570)	(19,569)
Contract liabilities	18	53,696	33,682
Other current liabilities	26	1,409	(2,013)
Provisions for risks and charges and employee benefits	27.28	(2,057)	3,040
Cash flow generated by operating activities		**114,212**	**51,863**
Income taxes paid		(21,643)	(10,857)
Net cash flow generated by operating activities		**92,569**	**41,006**
Cash flow from investing activities			
Interest received		280	446
Proceeds from disposal of property, plant and equipment		118	262
Proceeds from disposal of intangible assets		–	–
Changes in equity investments and other non-current assets	16	(1,217)	(287)
Acquisition of subsidiaries or business units, net of cash acquired	16.30	(75)	(625)
Acquisition of property, plant and equipment	12	(31,367)	(20,391)
Acquisition of intangible assets with a finite useful life	14	(7,401)	(6,482)
Net cash flow absorbed by investing activities		**(39,662)**	**(27,077)**

(€'000)	Notes	31 December 2021	31 December 2020
Cash flow from financing activities			
Financial interest and expense paid		(1,050)	(1,978)
Proceeds from the issue of share capital		687	–
Proceeds from loans	24	45,643	36,457
Loan repayments	24	(33,357)	(31,258)
Changes in other financial assets and financial liabilities including derivatives	22,24,29	(8,603)	15,226
New finance lease payables	24	1,992	3,952
Repayment of finance lease payables	24	(4,019)	(226)
Assumption of new loans	24	–	–
Dividends paid	23	(10,331)	–
Share buy-back	23	–	(899)
Other changes in equity	23	(843)	747
Net cash flow generated/(absorbed) by financing		**(9,881)**	**22,,021**
Net (decrease)/increase in cash and cash equivalents		**43,026**	**35,950**
Cash and cash equivalents as at 1 January		91,288	55,338
Cash and cash equivalents as at 31 December		**134,314**	**91,288**

notes to the separate financial statements

BASIS OF PREPARATION

1. Reporting entity

Sanlorenzo S.p.A. (the Company) is based in Italy. Its registered office is in Via Armezzone 3, Ameglia, in La Spezia. The Company designs, builds and sells yachts and pleasure boats in fibreglass, steel and aluminium together with all other materials. It also provides maintenance and charter services for all types of vessels.

2. Basis of preparation

These financial statements as at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).
The financial statements as at 31 December 2021, approved by the Board of Directors of the Company on 10 March 2022, include the statement of financial position, statement of profit/(loss) and other comprehensive income, statement of cash flows and statement of changes in equity and the notes.
As regards the statement of financial position, the presentation format adopted provides for a distinction between current and non-current assets and liabilities, according to paragraphs 60 et seq. of IAS 1.
The presentation of the statement of profit and loss adopts a classification of costs based on the type of expense.
The statement of cash flow was prepared based on the indirect method and is presented in compliance with IAS 7, classifying the financial flows between operating, investment and financing activities.
Information on the accounting standards adopted by the Company is provided in the paragraph "Accounting standards" of these financial statements.
The Notes to the Separate Financial Statements were supplemented with the additional information required by Consob and the measures it issued in implementation of Article 9 of Italian Legislative Decree 38/2005 (Resolutions 15519 and 15520) of 27 July 2006 and Communication DEM/6064293 of 28 July 2006, pursuant to Article 78 of the Issuers' Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.
It should be noted that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements highlight significant relations with related parties in order to provide better information, and the income items deriving from non recurrent events or transactions are recognised, when significant, separately in the management comments and in the financial information sections.

3. Functional and presentation currency

These Separate Financial Statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Basis of measurement

These Separate Financial Statements have been prepared using the historical cost method, except for hedging derivatives which are measured at fair value at each reporting date.

5. Use of estimates and valuations

The preparation of Separate Financial Statements and notes thereto in accordance with the IAS/IFRS requires the directors to apply accounting standards that may sometimes be affected by complex and subjective judgements and estimates, based on past experience and assumptions deemed reasonable and realistic in the circumstances.
The application of these estimates and assumptions affects the reporting amounts in the financial statement, such as the statement of financial position, the statement of profit/(loss) and other comprehensive income, the statement of cash flows and the disclosures included herein. The final figures of the financial statement items for which the aforementioned estimates and assumptions were used, may differ from those that were actually realised due to the uncertainties that characterise the assumptions and the conditions on which the estimates are based. Estimates and assumptions are periodically reviewed and the effects of each change are reflected in the period in which the estimate revision is made, if such revision affects only the current period or also in the following periods if the revision affects current and future periods.
The captions most affected by directors' judgements and estimates and for which a change in the circumstances underlying the assumptions applied could have a significant impact on the financial statements are summarised below.

Valuations

The management decisions that have the most significant effects on the amounts recognised in the financial statements concern:

- revenue recognition: whether revenue from contracts is recognised over time or at a point in time;
- investments accounted for using the equity method: to establish whether the Group exercises significant influence over an investee company;
- consolidation: whether the Group has de facto control over an investee.

For further details, please refer to the specific notes and the paragraph "Accounting standards" of these financial statements.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next year concerns:

- revenue recognition;
- valuation of defined benefit obligations: main actuarial assumptions;
- recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- measurement of the bad debts provision for trade receivables and contract assets; key assumptions used to determine the expected credit losses.

For further details, please refer to the specific notes and the paragraph "Accounting standards" of these financial statements.

6. Significant accounting standards

In these Separate Financial Statements, the accounting standards adopted are consistent, except where indicated hereunder, with those used to prepare the financial statements as at 31 December 2020, drafted for comparative purposes.

Amendment to IFRS 4 (deferral of IFRS 9)

On 25 June 2020, the IASB published an amendment referred to as "Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)". The amendments allow the temporary exemption from applying IFRS 9 to be extended until 1 January 2023.
The introduction of this amendment has no effect on these Financial Statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published Interest Rate Benchmark Reform - Phase 2, which contains amendments to the following standards:

- IFRS 9 Financial Instruments;
- IAS 39 Financial Instruments: Recognition and Measurement;
- IFRS 7 Financial Instruments: Disclosures;
- IFRS 4 Insurance Contracts;
- IFRS 16 Leases.

These amendments complement those made in 2019 ("IBOR - Phase 1") and focus on the effects on entities when an existing IBOR benchmark interest rate is replaced with a new benchmark rate as a result of financial reporting reform.
The introduction of this amendment has no effect on these Financial Statements.

Amendments to IFRS 16 – Covid 19 Related Rent Concessions beyond 30 June 2021

With this amendment, the IASB extends by one year the period of application of the amendment issued in 2020, which provided lessees the option to account for Covid-19-related rent reductions without having to assess through contract analysis whether the definition of lease modification in IFRS 16 was met. Therefore, lessees that applied this option in 2020 accounted for the effects of rent reductions directly in the statement of income on the effective date of the reduction. The 2021 amendment, which is only available to entities that have already adopted the 2020 amendment, applies beginning 1 April 2021, and early adoption is permitted.
The introduction of this amendment has no effect on these Financial Statements.

PERFORMANCE FOR THE YEAR

7. Operating segments

The Company is composed of the following operating divisions:

- Yacht Division;
- Superyacht Division.

The operating divisions have been identified in accordance with IFRS 8 as the components of the Company:

- that engage in business activities from which the Group earn revenues and incur expenses;
- whose operating results are periodically reviewed at the highest operational decision-making level of the entity for the purpose of making decisions regarding the resources to be allocated to the segment and assessing its performance;
- for which separate financial information is available.

In detail, the type of product is the primarily basis for segmentation identified by the Company. In detail:

- the Yacht range refers to composite yachts of a length between 24 and 38 metres, sold under the Sanlorenzo brand;
- the Superyacht range refers to superyachts in aluminium and steel, more than 38 metres in length, sold under the Sanlorenzo brand;

As allowed by IFRS 8.12, the Yacht and Superyacht product ranges are aggregated into one single operating segment as they have similar characteristics in terms of:

a. nature of the products, with differences that substantially depend on the size;
b. nature of production processes;
c. type or class of customers;
d. distribution methods and channels;
e. reference regulatory context;
f. basic contractual characteristics;
g. margins, with temporary differences linked to the timing of introduction of new products and / or specific marketing initiatives.

8. Revenue and commissions

(€'000)	31 December 2021	31 December 2020	Change
Revenues from contracts with customers	622,036	482,640	139,396
Commissions	(18,225)	(18,462)	237
Net revenues	**603,811**	**464,178**	**139,633**

Revenues from contracts with customers

Revenues from contracts with customers are earned on the sale of new and pre-owned boats, which are shown in the above table gross and net of the commissions paid to agents to finalise the sales contracts.
Revenues gross of commissions paid to intermediaries was equal, respectively, to €622,036 thousand as at 31 December 2021 and €482,640 thousand as at 31 December 2020. As at 31 December 2021, gross revenues increased €139,396 thousand on the previous year.

Disaggregation of revenue from contracts with customers

The breakdown of revenues from contracts with customers by type is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Revenues from new yachts	550,593	429,036	121,557
Revenues from pre-owned yachts	65,805	48,647	17,158
Revenues from maintenance and other services	5,638	4,957	681
Revenues from contracts with customers	**622,036**	**482,640**	**139,396**

Revenue from new yacht sales includes guarantee deposits from customers who cancelled their purchases and forfeited their advance to the Company, in accordance with the relevant contracts signed with the customers. They are recognised in the income statement and amounted to €0 thousand and €529 thousand for 2021 and 2020, respectively.
Revenues from pre-owned boats sales amounted to €65,805 thousand and €48,647 thousand for 2021 and 2020, respectively.
Revenue from maintenance and sales of spare parts for each type of boat, amounting to €5,638 thousand as at 31 December 2021 and €4,957 thousand as at 31 December 2020, are managed in separate orders received from the customers and represent commitments different from those for yacht sales.

The breakdown of revenues from contracts with customers by division is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Yacht Division	414,937	336,264	78,673
Superyacht Division	207,099	146,376	60,723
Revenues from contracts with customers	**622,036**	**482,640**	**139,396**

The next table provides a breakdown of the revenues from contracts with customers by geographical area according to nationality of the owner customer.

(€'000)	31 December 2021	31 December 2020	Change
Italy	62,802	63,895	(1,093)
Europe – Other countries	289,967	188,449	101,518
USA	84,438	43,347	41,091
Americas – Other countries	50,769	35,171	15,598
APAC	91,700	114,343	(22,643)
MEA	42,360	37,435	4,925
Revenues from contracts with customers	**622,036**	**482,640**	**139,396**

Revenue is measured based on the consideration specified in the contract with the customer. In particular, the sale of new yachts complies with the requirements for the fulfilment of the performance obligation over the period of time of construction of the yacht ("over time"); therefore, the related revenues are recognised based on the progress of the orders and the progress made is measured with the cost-to-cost method.
Revenues from the sale of pre-owned boats, based on generally established contractual characteristics, are recognised at a given moment in time ("at a point in time").
Revenues from maintenance, sales of spare parts and provision of services activities are managed through spot orders from the client and are recognised at a point in time basis.
For further details on the recognition of revenues, please refer to the relevant note in the paragraph "Accounting standards" of these financial statements.

Commissions

Commissions amounted to €18,225 thousand and €18,462 thousand as at 31 December 2021 and 31 December 2020, respectively. They refer to the costs incurred by the Company for the intermediation activities carried out by dealers and brokers.
As at 31 December 2021, commissions decreased by €237 thousand compared to the previous year.

9. Other income and costs

Other income

(€'000)	31 December 2021	31 December 2020	Change
Gains on disposals of assets	7	44	(37)
Other revenues	4,866	4,960	(94)
Other income	**4,873**	**5,004**	**(131)**

Other revenues and income amounted to €4,873 thousand and €5,004 for 2021 and 2020, respectively. As at 31 December 2021, other revenues and income decreased €131 thousand on the previous year.
The item "Other revenues" includes:

- income for services provided to suppliers;
- charge-backs of marketing contributions.
- non-repayable grants on subsidised loans granted by Simest;
- bonus investments in capital goods (Italian Law no. 160, 27 December 2019, and Italian Law no. 178, 30 December 2020);
- the recognition of a tax benefit on R&D expenditure incurred over the years.

Operating costs

(€'000)	31 December 2021	31 December 2020	Change
Increases in assets for internal work	(1.637)	(1.641)	4
Raw materials, consumables and finished products	210.491	172.209	38.282
Outsourcing	191.211	165.771	25.440
Other service costs	51.453	42.000	9.453
Change in work in progress, semi-finished and finished products	16.623	(21.897)	38.520
Personnel expenses	41.738	34.980	6.758
Other operating costs	4.729	3.427	1.302
Accruals to provisions and impairment	9.747	9.646	101
Operating costs	**524.355**	**404.495**	**119.860**

Operating costs amounted to €524,355 thousand and €404,495 thousand for 2021 and 2020, respectively.
The work performed by the Company and capitalised refers to the costs of the personnel involved in the development of new yachts, which are capitalised under the item development expenditure in relation to intangible assets with a finite useful life.
Raw materials, consumables and finished products are presented net of returns, discounts, allowances and bonuses. The change between 2021 and the previous year, equal to €38,282 thousand, is mainly due to higher purchase volumes of raw materials and consumables as a consequence of the rise in production volumes and the purchase collection of pre-owned boats.
Outsourcing cost chiefly related to naval carpentry services, turnkey furnishings for yachts and superyachts, electrical and plumbing work and the fitting of the boat's interior and exterior, these costs changed by €25,440 thousand between 2021 and 2020.
Other service costs mostly comprise costs for consulting services, transport costs, the Board of Directors' and Statutory Auditors' fees, travel expenses and cleaning and maintenance costs. The changes in the item "Other service costs" between 2020 and 2021 was equal to € 9,453 thousand.
The change in inventories of work in progress, semi-finished and finished products was equal to €16,623 thousand and €(21,897) thousand respectively as at 31 December 2021 and 2020. Work in progress refers to orders of less or more than one year duration for which the contract with the customer was not yet finalised by the end of the year.

Personnel expenses increased by €6,758 between 2020 and 2021. This change reflected the growth in personnel due to the expansion of the Company as shown in the following table:

	31 December 2021	31 December 2020	Change
Managers	30	28	2
White collars	421	361	60
Blue collars	88	87	1
Total employees	**539**	**476**	**63**

The breakdown of personnel expenses is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Salaries and wages	30,675	25,605	5,070
Social security contributions	9,268	7,963	1,305
Post-employment benefits	1,795	1,412	383
Total personnel expense	**41,738**	**34,980**	**6,758**

Other operating costs mostly related to advertising for €2,023 thousand and €1,173 thousand in 2021 and 2020, respectively, and other sundry costs stood at €2,706 thousand and €2,254 thousand for 2021 and 2020, respectively. Between 2021 and 2020, other operating costs increased by €1,302 thousand.
In 2021, allocations to provisions and impairment include €6,654 thousand for contract completion activities, €2,000 thousand for supply risk, €1,093 thousand for product warranties and other minor risks.

Amortisation, depreciation and impairment losses of fixed assets

(€'000)	31 December 2021	31 December 2020	Change
Amortisation of intangible assets	5,784	5,004	780
Depreciation of property, plant and equipment	14,859	12,838	2,021
Amortisation, depreciation and impairment losses	**20,643**	**17,842**	**2,801**

Amortisation, depreciation and impairment amounted to € 20,643 thousand and € 17,842 thousand respectively as at 31 December 2021 and 2020. The change between 2021 and 2020 is equal to € 2,801 thousand and is due to the coming on stream of the investments made in previous years.
In 2021, the amortisation of intangible assets was equal to € 5,784 thousand, mainly referring to the amortisation of trademarks and patents for € 272 thousand, development expenses for € 4,152 thousand, state concession for the La Spezia shipyard for € 361 thousand, rights of use of the Viareggio warehouses for € 442 thousand and software applications for € 305 thousand.
In 2021, depreciation of tangible assets stood at € 14,859 thousand, mainly referring to industrial and commercial equipment for € 6,879 thousand, land and buildings for € 4,340 thousand, other assets for € 2,065 thousand and plants and machinery for € 1,575 thousand.

10. Net financial expense

(€'000)	31 December 2021	31 December 2020	Change
Financial income	280	446	(166)
Financial expenses	(1,050)	(1,978)	928
Net financial expense	**(770)**	**(1,532)**	**762**

Net financial expense amounted to € 770 thousand and € 1,532 for 2021 and 2020, respectively. The reduction compared with the previous year, amounting to € 762 thousand (49.7%), is linked to the better financial conditions applied to the Company by financial institutions and the positive refinancing of certain lines of credit.

A breakdown of each item making up this caption is provided below:

(€'000)	31 December 2021	31 December 2020	Change
Interest income – third parties	210	442	(232)
Interest income – banks	70	4	66
Financial income	**280**	**446**	**(166)**

(€'000)	31 December 2021	31 December 2020	Change
Interest expense – banks	(819)	(1,160)	341
Interest expense – third parties	(78)	(128)	50
Interest expense on lease liabilities	(12)	(112)	100
Other financial expenses	(146)	(581)	435
Exchange rate gains/(losses)	5	3	2
Financial expenses	**(1,050)**	**(1,978)**	**928**

11. Income taxes

(€'000)	31 December 2021	31 December 2020	Change
Current taxes	(16,346)	(15,030)	(1,316)
Taxes relative to prior years	(1,095)	(63)	(1,032)
Deferred tax assets and liabilities	(1,072)	3,777	(4,849)
Income taxes	**(18,513)**	**(11,316)**	**(7,197)**

In 2021, income taxes stood at €(18,513) thousand, up by €(7,197) thousand over the previous year. This item consists of current taxes, equal to €(16,346) thousand, taxes for prior years, equal to €(1,095) thousand, including the provision made to take into account the potential liabilities resulting from tax audits, and negative changes in deferred tax assets and liabilities, equal to €(1,072) thousand.
In 2021, current taxes increased by €(1,316) thousand (+8.7%) due to the increase in pre-tax profit (€17,578 thousand).

A reconciliation between the effective and theoretical tax expense is as follows:

(€'000)	31 December 2021	31 December 2020
Pre-tax profit	**62,891**	**45,313**
Tax rate	24%	24%
Theoretical IRES	15,094	10,876
Non-deductible costs	(459)	1,877
R&D credit exempt	(80)	(41)
Effect of tax rate in foreign jurisdiction and other differences	1,450	(3,776)
IRAP	2,508	2,380
Income taxes	**18,513**	**11,316**

Current tax assets and liabilities

(€'000)	31 December 2021	31 December 2020	Change
Current tax assets	15,169	8,689	6,480
Current tax liabilities	(16,292)	(15,030)	(1,262)
Net assets/(liabilities) for current taxes	**(1,123)**	**(6,341)**	**5,218**

The assets refer to IRES and IRAP advances paid during 2021. Current tax liabilities, equal to €16,292 thousand and €15,030 thousand as at 31 December 2021 and 2020 respectively, refer to IRES and IRAP payables.

Net deferred tax assets

(€'000)	31 December 2021	31 December 2020	Change
Net deferred tax assets	5,555	5,987	(432)

Net deferred tax assets include the difference between deferred tax assets and liabilities that arose over the years. Net deferred tax assets were equal to €5,555 thousand as at 31 December 2021 and €5,987 thousand as at 31 December 2020.
The main temporary differences that have produced deferred tax assets regard the provisions for risks and charges made, impairment of pre-owned boats, and value adjustments on receivables.
Deferred tax assets are recognised when the management believes that they will be recovered through future taxable earnings on the basis of company plans. Deferred tax liabilities relate to income taxes for the current year and previous years to be paid in subsequent years in line with applicable tax regulations.

The following tables provide details on the changes, nature and amount of these temporary differences with the amounts recognised in the income statement for the year ended 31 December 2021.

(€'000)	Tax effect as at 1 January 2021	Adjustments	Utilisations 2021	Accruals 2021	Total in profit or loss 2021	Tax effect as at 31 December 2021
Deferred tax assets						
Loss allowance	90	–	–	–	–	90
Provisions for risks and charges	4,510	–	2,321	2,737	416	4,926
Unpaid directors' fees	2	–	2	–	(2)	–
Deferral margin Sanlorenzo of the Americas	–	290	245	–	(245)	45
Unpaid membership fees	5	–	5	–	(5)	–
Amortisation goodwill	2	–	1	–	(1)	1
Impairment of pre-owned boats	1,303	–	1,303	179	(1,124)	179
Effect of IAS 38	7	–	3	–	(3)	4
Share capital increase against reserve	353	–	118	–	(118)	235
Cash flow hedge reserve	–	348	–	–	–	348
Deferral R&D	194	–	47	–	(47)	147
Legal fees	242	–	–	–	–	242
Debt accounting at amortised cost	118	–	24	–	(24)	94
Obsolete inventories	56	–	–	42	42	98
Other	–	–	–	–	–	–
Total deferred tax assets	**6,881**	**638**	**4,069**	**2,958**	**(1,111)**	**6,408**
Deferred taxes						
Amortisation of development costs over useful life	(894)	–	(433)	(392)	41	(853)
Other	–	–	–	–	–	–
Total deferred tax liabilities	**(894)**	**–**	**(433)**	**(392)**	**41**	**(853)**
Net deferred tax assets	**5,987**	**638**	**3,636**	**2,566**	**(1,070)**	**5,555**

ASSETS

12. Property, plant and equipment

Tangible assets amounted to €124,171 thousand and €106,625 thousand as at 31 December 2021 and 31 December 2020, respectively.
A breakdown of the item and its changes over the year are provided in the table below.

(€'000)	Land and buildings	Industrial equipment	Plants and equipment	Other assets	Fixed assets in progress	Total
Historical cost	90.243	65.042	15.374	12.919	2.024	185.602
Accrued depreciation	(28.229)	(37.655)	(5.553)	(7.540)	–	(78.977)
Carrying amount as at 31 December 2020	**62.014**	**27.387**	**9.821**	**5.379**	**2.024**	**106.625**
Changes in the period:						
Additions	17.040	5.359	3.697	3.582	1.689	31.367
Disposals	–	(1.433)	–	(74)	–	(1.507)
Reclassifications	594	–	–	1	(595)	–
Depreciation	(4.340)	(6.879)	(1.575)	(2.065)	–	(14.859)
Utilisation of accrued depreciation	–	1.431	–	74	–	1.505
Reclassifications	–	14	–	1.026	–	1.040
Historical cost as at 31 December 2021	**107.877**	**68.968**	**19.071**	**16.428**	**3.118**	**215.462**
Accrued depreciation and impairment losses as at 31 December 2021	(32.569)	(43.089)	(7.128)	(8.505)	–	(91.291)
Carrying amount as at 31 December 2021	**75.308**	**25.879**	**11.943**	**7.923**	**3.118**	**124.171**

As at 31 December 2021, property, plant and equipment included:

- Land and buildings equal to €75,308 thousand: these mostly refer to the Company's buildings located at the production facilities in Ameglia (SP), Viareggio (LU), Massa (MS) and La Spezia.
- Industrial equipment for €25,879 thousand: these mostly refer to technical equipment, for scaffolding, handling and fibreglass moulding extraction and the realisation of moulds.
- Plants and equipment equal to €11,943 thousand: for the most part they relate to fire-fighting, electrical, hydraulic and suction systems.

- Other assets equal to €7,923 thousand: mainly include office furniture and fittings, trade fair equipment and electronic equipment.
- Fixed assets in progress equal to €3,118 thousand: mainly consist of costs incurred for the realisation of new models and moulds.

In 2021, additions were equal to €31,367 thousand and refer to industrial equipment for €5,359 thousand, buildings for €17,040 thousand, plants for €3,697 thousand, other assets for €3,582 thousand and fixed assets in progress for €1,689 thousand.
In 2021, disposals were equal to €1,507 thousand, net of accrued depreciation for €1,505 thousand and concerned industrial equipment and other assets.
Depreciation in 2021 was equal to €14,859 thousand, €2,021 thousand higher than in 2020 as a result of the investments made during the year.

13. Goodwill

Goodwill is recognised in the financial statements at the date of acquisition of the control of a business pursuant to IFRS 3 and is the aggregate of the consideration transferred to acquire a business or a business unit and the algebraic sum of the fair values, assigned at the acquisition date, to the identifiable assets and liabilities acquired that composed such business or business unit.
As it has an indefinite useful life, goodwill is not amortised but is tested for impairment at least once a year unless some indications of impairment based on external and internal sources of information identified by the Company makes it necessary to test it for impairment also during preparation of the interim reports. For impairment testing purposes, goodwill acquired as part of a business combination is allocated to the individual Cash-Generating Units (or groups of CGUs) that are expected will benefit from the combination synergies, in line with the minimum level for which that goodwill is monitored by the Company.
After its initial recognition, goodwill is valued at cost net of accumulated impairment.

(€'000)	31 December 2021	31 December 2020	Change
Goodwill	8,667	8,667	–

As at 31 December 2021 and 31 December 2020, goodwill was recognised for €8,667 thousand. It arose on the 2008 merger of the former holding company, Happy Fly S.r.l., and its subsidiary FlyOpen S.p.A. into Sanlorenzo S.p.A.
The balance of €8,667 thousand is net of amortisation recognised up until the date of First Time Adoption of IFRS. The Company applied the exemption, provided by IFRS 1.C1 for business combinations, which allows the first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.

14. Intangible assets with a finite useful life

Intangible assets with a finite useful life amounted to €39,626 thousand as at 31 December 2021 and €38,009 thousand as at 31 December 2020.
A breakdown of the item at each date presented and changes therein is provided below.

(€'000)	Concessions, licences, trademarks and similar rights	Other fixed assets	Development costs	Fixed assets in progress	Total
Historical cost	25,106	1,675	34,412	1,393	62,586
Accrued amortisation	(5,820)	(1,668)	(17,089)	–	(24,577)
Carrying amount as at 31 December 2020	**19,286**	**7**	**17,323**	**1,393**	**38,009**
Changes in the period:					
Additions	279	–	4,940	2,182	7,401
Disposals	–	–	–	–	–
Reclassifications	–	1	1,042	(1,043)	–
Amortisation	(1,631)	(1)	(4,152)	–	(5,784)
Utilisation of accrued amortisation	–	–	–	–	–
Reclassifications	–	–	–	–	–
Historical cost as at 31 December 2021	**25,385**	**1,676**	**40,394**	**2,532**	**69,987**
Accrued amortisation and impairment losses as at 31 December 2021	(7,451)	(1,669)	(21,241)	–	(30,361)
Carrying amount as at 31 December 2021	**17,934**	**7**	**19,153**	**2,532**	**39,626**

With reference to the development costs, no impairment indicators were identified suggesting that capitalised development costs have been impaired.
As at 31 December 2021, intangible assets with a finite useful life included:

- Concessions, licences, trademarks and similar rights of €17,934 thousand: in detail, this item is composed of the concession acquired together with the business unit of the former Cantieri San Marco for €3,250 thousand, trademark of the Company for €3,811 thousand, mooring rights acquired by the Company until 2067 in La Spezia in "Porto Mirabello" amounting to €1,721 thousand, the right of use for the properties in Viareggio for €8,076 thousand acquired with the demerger of Polo Nautico during the year, the software application for €498 thousand and sundry rights for €578 thousand.
- Other assets equal to €7 thousand.
- Development costs of €19,153 thousand, comprising costs to design and develop new yachts incurred by the Company.

- Fixed assets in progress equal to €2,532 thousand, mostly consisting of development costs for the design and study of new yacht models.

In 2021, increases were equal to €7,401 thousand and related to fixed assets in progress for €2,182 thousand, development costs for €4,940 thousand and trademarks, patents, rights on use of buildings and mooring rights for €279 thousand.
Depreciation in 2021 was equal to €5,784 thousand, €780 thousand higher than in 2020 as a result of the investments made during the year.

Recoverability of development costs
As at 31 December 2021 and 2020, intangible assets include projects to develop new yachts and innovative fibreglass, steel and aluminium solutions for medium to large yachts in the amount of €19,153 thousand and €17,323 thousand, respectively.
Its design costs, over 8 years, were amortised based on a 12.5% rate.
Projects normally take between one to three years to develop (roughly 18 months for fibreglass yachts) and the group usually recognises the related costs over this period. The design stage ends with the building of the prototype and the model is definitive for sale on the market (new yacht design). However, the Company may incur design costs after this if it decides to improve the yacht, restyle it or if the customer requests customisation (yacht design in production). Designs obviously have to reflect market trends and consider competitors' strategies. Due to difficulties in identifying the right moment for a new product to go to market, the Company defines its specific strategy in this respect each year.
Based on business forecasts, company management deems that the development costs recognised as at 31 December 2021 are recoverable.

15. Impairment testing

This section describes the methods applied to test goodwill and intangible assets with indefinite useful life in accordance with IAS 36 and the results of these tests.
As at 31 December 2021, the Company tested the recoverability of goodwill equal to €8,667 thousand. No indications of impairment were identified.
A Cash-Generating Unit (CGU) was identified for the purposes of testing the recoverability of the goodwill recognised among intangible assets.
The test for impairment on its assets, in accordance with IAS 36, provides for two different calculations of the recoverable amount, either value in use or fair value less costs to sell. Paragraph 18 of IAS 36 defines the "recoverable amount" as "the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use". In this case, as it was not possible to measure the fair value of the assets being tested for impairment, the estimate of their recoverable amount as at 31 December 2021 was made based on the values based on the concept of value in use.
The value in use was calculated based on the estimated operating cash flows for the three-year period 2022-2024, obtained by discounting the economic-financial forecast data adopted solely for the purposes of the impairment test with resolution of the Board of Directors on 3 February 2022.
The difference between the resulting value in use and the carrying amount of the net operating invested capital, including goodwill and intangible assets with indefinite useful life, is positive by roughly 453%.

The WACC was used as the discount rate and was estimated as follows:

- the risk-free rate was taken to be equal to the average rate of return on 10-year government bonds, i.e. 0.78%;
- an equity risk premium of 6.42% was used;
- a beta-levered coefficient was measured considering a basket of listed companies active in the same sector as the Company, equal to 1.05;
- an additional risk premium equal to 3.50%.

The cost of debt was estimated to be equal to 0.78%.
A debt to equity ratio of 31.10% was also used, equal to the average debt to equity ratio of a basket of comparable companies.
Application of this model led to the calculation of a 8.80% discount rate (pre-tax WACC equal to 11.58%).
The terminal value was calculated using the "perpetuity" formula, assuming a growth rate "g" of 1.30% and a normalised operating cash flow using the projections for 2024, the last year of the plan taken as reference for impairment test purposes.
The model's sensitivity to changes in these parameters was also tested, to test its robustness and accuracy.
In particular, the model was tested under the assumption of a change in the discount and growth rates of up to 1% and of a 10% decrease in the cash flows estimated based on forecasts. This sensitivity analysis did not suggest the presence of asset impairment.
An analysis of the base scenario and the sensitivity analysis after introducing changes to the main parameters of the impairment test showed that the carrying amount of goodwill recorded in the financial statements of the Company is recoverable.
The following table shows the WACC, growth rate and percentage of operating cash flows that individually would make the CGU's recoverable amount equal to its carrying amount as at 31 December 2021.

	Base scenario	WACC	Growth rate	Operating cash flows
WACC	8.80%	43.89%	8.80%	8.80%
Growth rate (g)	1.30%	1.00%	-73.84%	1.00%
Operating cash flows	100.00%	100.00%	100.00%	18.00%

16. Equity investments and other non-current assets

(€'000)	31 December 2021	31 December 2020	Change
Subsidiaries	3,234	3,184	50
Associated companies	332	332	–
Other companies	34	34	–
Equity investments and other non-current assets	**3,600**	**3,550**	**50**

Changes in the investments in associates and other companies over the year are shown below:

(€'000)	Subsidiaries	Associated companies	Other companies	Total
Carrying amount as at 31 December 2020	**3,184**	**332**	**34**	**3,550**
Changes in the period:				
Additions/capital increases	50	–	–	50
Decreases	–	–	–	–
Carrying amount as at 31 December 2021	**3,234**	**332**	**34**	**3,600**

Equity investments in subsidiaries amounted to €3,234 thousand and €3,184 thousand respectively as at 31 December 2021 and 31 December 2020. The increase is linked to the establishment of the two new subsidiaries PN VSY S.r.l. and PN Sviluppo S.r.l., as detailed in the following table, based on the data resulting from the financial statements closed at 31 December 2021.

Company name	Share capital	%	Nominal value (Euro)	Book value (Euro)	Share of equity (Euro)	Equity (Euro)	Profit/(loss) for the year (Euro)
Bluegame S.r.l. Ameglia (SP) – Italia	Euro 100,000	100%	100,000	1,035,500	6,545,884	6,545,884	3,127,616
PN Sviluppo S.r.l. Viareggio (LU) – Italia	Euro 40,000	100%	40,000	40,000	38,058	38,058	(1,942)
PN VSY S.r.l. Viareggio (LU) – Italia	Euro 10,000	100%	10,000	10,000	13,039	13,039	3,039
Sanlorenzo of the Americas LLC Fort Lauderdale (FL) – USA	USD 2,000,000	90%	1,589,264	1,433,366	776,616	862,907	3,279,605
Fortune Yacht LLC Fort Lauderdale (FL) – USA	USD 1,000	90%	795	883	152,243	169,159	161,148
Sanlorenzo Baleari SL Puerto Portals, Maiorca – Spagna	Euro 500,000	100%	500,000	500,000	(3,760,578)	(3,760,578)	269,625
Marine Yachting Monaco S.A.M. Principato di Monaco	Euro 150,000	99,7%	150,000	215,000	216,875	216,875	(44,507)

With regard to the equity investments in the subsidiaries Sanlorenzo Baleari SL, the value of the equity investment, also adjusted by the bad debt provision equal to €2,387 thousand, is higher than the fraction of shareholders' equity pertaining to it. In consideration of the reorganisation activities carried out, despite the pandemic period, the Company has further consolidated the positive economic trend, closing the year with a strong profit increase compared to the previous year (+ 47%). It is also noted that the positive market prospects reflected in the business plan approved by the respective companies, together with the previous considerations, lead to the belief that this value are recoverable.
Equity investments in associated companies amounted to €332 thousand respectively as at 31 December 2021 and 2020. This item refers to the equity investment held in the associated company Polo Nautico.
Equity investments in other companies amounted to €34 thousand as at 31 December 2021 and 2020, respectively, and are represented by investments that are fairly negligible in companies and consortia, not falling under the consolidation scope.

17. Inventories

(€'000)	31 December 2021	31 December 2020	Change
Raw materials and consumables	8,367	6,050	2,317
Work in progress and semi-finished products	31,378	43,296	(11,918)
Finished products	25,558	34,728	(9,170)
Allowance for inventory write-down	(991)	(5,393)	4,402
Inventories	**64,312**	**78,681**	**(14,369)**

Inventories amounted to €64,312 thousand and €78,681 thousand as at 31 December 2021 and 31 December 2020, respectively.
Raw materials and consumables include the materials necessary to build the yachts.
Work in progress and semi-finished products relate to those orders whose contract with the customer has still not been finalised at the close of the year. The change observed between 31 December 2021 and 31 December 2021 follows the consistent increase in sales achieved during the year.
The finished products comprise traded-in boats, which are recognised at cost when the group receives them and the value of which is adjusted at the end of each year to the presumed realisable value through the recognition of the relative allowance for write-downs.
During the valuation process of pre-owned boats, the Company relies on various elements such as the analysis of the specific characteristics of the pre-owned boats, the valuations carried out at the time of their purchase including age, current market trend, also through the indications of an independent third party, the uniqueness of each boat and of each trade negotiation, as well as the sales already concluded in the subsequent period.
The project "Experienced Yachts", designed to diversify and qualify the pre-owned boats of the Company compared with the competition, provides for each boat that is part of the programme to be valued, managed and reconditioned by the Company's personnel in order to guarantee the efficacy of the boats' machinery and instruments. The valuation of pre-owned boats is based on an independent expert appraisal which considers the factors mentioned above and each boat's general conditions.
Allowance for inventory write-down, including finished products and raw materials, recorded the following changes, mainly due to the adjustment of the value of finished products to the estimated realisable value:

(€'000)	Balance
Allowance for inventory write-down as at 31 December 2020	**5,393**
Accruals	791
Utilisations	(5,193)
Allowance for inventory write-down as at 31 December 2021	**991**

18. Contract assets and liabilities

Contract assets refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalised with the customer. They are recognised as assets net of the related contract liabilities when, based on a case-by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognised as a contract liability.
Net contract assets are as follows:

(€'000)	31 December 2021	31 December 2020	Change
Contract assets (gross)	459,911	445,855	14,056
Advances from customers	(348,161)	(336,602)	(11,559)
Contract assets (net)	**111,750**	**109,253**	**2,497**

Unsatisfied or partially unsatisfied performance obligations refer to all the boats (both with original expected duration within 1 year and more) and are expected to be recognised in accordance with production timing related to yacht (between 7 and 16 months on average) and superyacht (between 24 and 46 months on average).
The net balance of assets arising from contracts as at 31 December 2021 includes a positive amount of €953 thousand relating to the fair value measurement of exchange rate risk hedging derivatives on contracts denominated in US dollars; as at 31 December 2020, this amount was negative for €435 thousand.

Net contract liabilities are as follows:

(€'000)	31 December 2021	31 December 2020	Change
Payables for work to be carried out	10,396	5,703	4,693
Total advances received from customers	440,931	380,370	60,561
Advances deducted from contract assets	(348,160)	(336,602)	(11,558)
Contract liabilities (net)	**103,167**	**49,471**	**53,696**

The net balance of this item was equal to €103,167 thousand and €49,471 thousand as at 31 December 2021 and 31 December 2020, respectively. The change, equal to €53,696 thousand and recorded between the year ended 31 December 2020 and 2021, is mainly due to the increase in advances received from customers.

19. Trade receivables

(€'000)	31 December 2021	31 December 2020	Change
Receivables from customers	17,871	16,825	1,046
Trade receivables from subsidiaries/associated companies	744	503	241
Loss allowance	(551)	(462)	(89)
Total trade receivables	**18,064**	**16,866**	**1,198**

Trade receivables amounted to €18,064 thousand and € 16,866 thousand as at 31 December 2021 and 31 December 2020, respectively. As at 31 December 2021, trade receivables increased compared with 31 December 2020, by €1,198 thousand.

Trade receivables are presented net of loss allowance set up over the years to provide for credit-impaired receivables that are still recognised pending the completion of the related court-approved creditors' settlement procedure or out-of-court recovery proceedings. It is believed that the provision for bad debts is appropriate to cope with the risk of potential non-collection of past due receivables.

Changes in loss allowance for the year 2021 are as follows:

(€'000)	Balance
Loss allowance as at 31 December 2020	**462**
Utilisations/Releases	(4)
Accruals	93
Loss allowance as at 31 December 2021	**551**

The breakdown of trade receivables by geographical area is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Italy	8,741	1,190	7,551
Europe – Other countries	8,790	11,182	(2,392)
Americas	151	1,442	(1,291)
APAC	379	2,051	(1,672)
MEA	3	1,001	(998)
Receivables from customers	**18,064**	**16,866**	**1,198**

The ageing of receivables from customers for the periods considered is as follows:

31 December 2021 (€'000)	Not expired	Overdue for (dd)		
		0-365	366-730	>730
Receivables from customers	17,060	143	117	284
Loss allowance	(7)	(143)	(117)	(284)
Receivables for customers to be invoiced	1,011	–	–	–
Total receivables from customers	**18,064**	**–**	**–**	**–**

20. Other current assets

(€'000)	31 December 2021	31 December 2020	Change
Advances to suppliers	18,944	11,988	6,956
Other receivables	4,028	2,414	1,614
Other tax assets	8,435	2,556	5,879
Costs to obtain the contracts	8,041	5,053	2,988
Accrued income and prepaid expenses	5,415	6,522	(1,107)
Other receivables and other current assets	**44,863**	**28,533**	**16,330**

Other current assets amounted to €44,863 thousand and €28,533 thousand as at 31 December 2021 and 31 December 2020, respectively. All receivables in this category are considered collectible and therefore no impairment has been made on them.

During the year ended 31 December 2021, the item increased by €16,330 thousand mainly due to the increase in tax receivables and advances paid to suppliers.
In addition, costs for the acquisition of contracts related to agency commissions were up by €2,988 thousand. Agency fees were recognised in the income statement based on a time approach that follows the work in progress on a boat.

21. Cash and cash equivalents

(€'000)	31 December 2021	31 December 2020	Change
Bank and postal current accounts	134,272	91,251	43,021
Cash on hand	42	37	5
Cash	**134,314**	**91,288**	**43,026**

Cash and cash equivalents amounted to €134,314 thousand and €91,288 thousand as at 31 December 2021 and 31 December 2020, respectively. For further information on the change in cash and cash equivalents, reference should be made to the cash flow statement.

22. Other financial assets, including derivatives

This item includes loans granted to parent and associates, term current accounts and bonds.

(€'000)	31 December 2021	31 December 2020	Change
Financial receivables from subsidiaries	15,358	4,758	10,600
Derivatives	311	647	(336)
Total other financial assets	**15,669**	**5,405**	**10,264**

Receivables from subsidiaries, equal to €15,358 thousand as at 31 December 2021, mainly relate to loans granted to Group companies. Of these, €4,000 thousand refer to the loan granted to PN Sviluppo S.r.l. for the payment of the guarantee deposit relating to the participation in the auction for the acquisition of Perini Navi S.p.A., repaid in February 2022.

Derivatives amounted to €311 thousand and €647 thousand as at 31 December 2021 and 31 December 2020 respectively. They include currency hedges (EUR/USD) and interest rate hedges with a positive fair value (Mark to Market Value) at the reporting dates. The Company uses derivatives to hedge against the risk of fluctuations in US dollars for its sales in that currency and the risks that interest rates on its loans and borrowings may increase. For further details regarding financial risk hedging instruments, please refer to the note "Financial instruments – Fair value and risk management" in these financial statements.

EQUITY AND LIABILITIES

23. Share capital and reserves

Company's equity

The next table provides a breakdown of the Group's equity.

(€'000)	Share capital	Share premium	Other reserves	Profit for the period	Total equity
Value as at 31 December 2020	**34,500**	**76,549**	**47,347**	**33,997**	**192,393**
Allocation of profit for the year	–	–	33,997	(33,997)	–
Effect of cash flow hedge reserve	–	–	(1,117)	–	(1,117)
Dividends distributed	–	–	(10,331)	–	(10,331)
Share buy-back	–	–	–	–	–
Stock option exercise	39	648	(59)	–	628
Other changes	–	–	333	–	333
Result for the period	–	–	–	44,378	44,378
Value as at 31 December 2021	**34,539**	**77,197**	**70,170**	**44,378**	**226,284**

The following table shows details of Other reserves.

(€'000)	Legal reserve	Extraordinary reserve	Stock option reserve	Reserve for treasury shares	Cash flow hedge reserve	Reserve FTA/OCI	Other reserves	Profit from previous years	Total other reserves
Value as at 31 December 2020	**2,960**	**45,066**	**332**	**(899)**	**15**	**(254)**	**147**	**(20)**	**47,347**
Allocation of profit for the year	1,699	32,278	–	–	–	–	–	20	33,997
Effect of cash flow hedge reserve	–	–	–	–	(1,117)	–	–	–	(1,117)
Dividends distributed	–	(10,331)	–	–	–	–	–	–	(10,331)
Share buy-back	–	–	–	–	–	–	–	–	–
Stock option exercise	–	–	(59)	–	–	–	–	–	(59)
Other changes	–	–	334	–	–	(1)	–	–	333
Value as at 31 December 2021	**4,659**	**67,013**	**607**	**(899)**	**(1,102)**	**(255)**	**147**	**–**	**70,170**

Share capital and share premium

Ordinary shares

As at 31 December 2021, the Parent Company's share capital amounted to €34,539 thousand, fully paid up, and consisted of 34,539,268 ordinary shares without nominal value, increased compared to 31 December 2020 due to the subscription of the capital increase to service the 2020 Stock Option Plan for 39,268 shares in December 2021. The share capital was also subsequently increased in 2022 and, as at 28 February 2022, consists of 34,594,172 shares.

On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo had in fact approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum number of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan.

On 24 September 2020, the Company also initiated the share buyback program based on the authorisation resolution approved by the Ordinary General Meeting of Shareholders on 31 August 2020. As a result of share purchases since the inception of the program, as at 31 December 2021, the Company held 58,666 treasury shares, unchanged from 31 December 2020, representing 0.170% of the subscribed and paid-in share capital. In accordance with the terms of the above resolution, the purchase program terminated on 28 February 2022.

Share premium reserve

The share premium amounted to €77,197 thousand resulting from the capital increase carried out by the shareholders in the periods 2011 and 2013, its partial use in the year 2014 for a bonus issue, by the Company, the decrease of € 19,539 thousand due to the impact of the reverse merger with WindCo and the capital increase linked to the IPO transaction completed in 2019, equal to €65,160 thousand net of placement commissions, the increase in 2021 of € 648 thousand for the exercise of the options relating to the Stock Option Plan.

Other reserves

(€'000)	31 December 2021	31 December 2020	Change
Legal reserve	4,659	2,960	1,699
Extraordinary reserve	67,013	45,066	21,947
Stock option reserve	607	332	275
Reserve for treasury shares in the portfolio	(899)	(899)	–
Cash flow hedge reserve	(1,102)	15	(1,117)
Reserve FTA/OCI	(255)	(254)	(1)
Post-merger reserve	49	49	–
Merger surplus	87	87	–
Demerger surplus	11	11	–
Profit from previous years	–	(20)	20
Other reserves	**70,170**	**47,347**	**22,823**

The item comprises:

- Legal reserve, which includes the accrual, equal to €4,659 thousand, made by the Company according to the provisions of the Italian Civil Code.
- Extraordinary reserve of €67,013 thousand and €45,066 thousand as at 31 December 2021 and 31 December 2020, respectively. The increase in the reserve is due to the appropriation of profit for the year ended 31 December 2020 to reserves. A restriction on the extraordinary reserve of €7,850,000 was established, pursuant to Article 110, paragraph 8, of Italian Law Decree no. 104 of 14 August 2020, converted into law with amendments by the Italian Law no. 126 of 13 October 2020.
- Stock option reserve, recognised for a positive value of €607 thousand, expresses the value of the option, recognised on a straight-line basis over the period between the grant date and the vesting date. The aforementioned reserve refers to the stock incentive plan approved by the Ordinary Shareholders' Meeting of 21 April 2020 and reserved for executive directors and key employees of Sanlorenzo and its subsidiaries. For further details regarding this plan, please refer to the note "Share-based payments" in these financial statements.
- Reserve for treasury shares in the portfolio of €(899) thousand as at 31 December 2021 was created with the launch of the treasury share purchase program approved by the Company.
- The Cash flow hedge reserve was negative and equal to €1,102 thousand as at 31 December 2021 and positive for €15 thousand as at 31 December 2020.
- Reserve FTA/OCI, which was affected by the transition of the financial statements to IFRS, in the amount of €(255) thousand as at 31 December 2021 and €(254) as at 31 December 2020.

- Post-merger reserve with capital contributions from the shareholders for €49 thousand as at 31 December 2021 and 31 December 2020, respectively.
- Merger surplus, equal to €87 thousand was created following the merger by incorporation with Eureka Imbarcazioni S.r.l. in 2012.
- Demerger surplus, equal to €11 thousand, was created by the demerger of Polo Nautico Viareggio S.r.l. in 2019.

The items of Equity with the indication of the possibility of utilisation and distribution are reported analytically in the following table.

(€'000)	Amount	Utilisation possibility*	Available portion	Summary of utilisations made in the previous three financial years	
				For loss allowance	For other reasons
Share capital	34,539	B	34,539	–	–
Share premium reserve **	77,197	A - B - C	74,948	–	19,539
Legal reserve	4,659	B	4,659	–	2,585
Extraordinary reserve	67,013	A - B - C	67,013	–	25,613
Stock option reserve	607	A - B - C	607	–	–
Reserve for treasury shares	(899)		–	–	–
Cash flow hedge reserve	(1,102)		–	–	–
Reserve FTA/OCI	(255)		–	–	–
Post-merger reserve	49	A - B - C	49	–	83
Merger surplus	87	A - B - C	87	–	149
Demerger surplus	11	A - B - C	11	–	–
Total	**181,906**	**–**	**181,913**	**–**	**–**
Non-distributable portion			**41,454**		
Distributable remaining balance	**–**	**–**	**140,459**		

Note:
(*) Utilisation possibility: "A" for share capital increase; "B" for loss allowance; "C" for distribution to shareholders.
(**) Share premium reserve fully available after the accrual in legal reserve of the minimum portion (20% of the share capital).

Capital management

The objective of the Company's capital management policies is the creation of values for Shareholders and support for the future development of the Company through the maintenance of an adequate level of capitalisation, which permits access to external sources of funding under advantageous conditions. The Company manages the capital structure and carries out adjustments in line with the changes in the general economic conditions and the strategic objectives.

24. Financial liabilities

(€'000)	31 December 2021	31 December 2020	Change
Bank loans and borrowings (beyond 12 months)	62,242	53,708	8,534
Other loans and borrowings (beyond 12 months)	2,853	4,483	(1,630)
Non-current financial liabilities	**65,095**	**58,191**	**6,904**
Short-term bank loans	27,160	23,588	3,572
of which bank loans	*27,126*	*23,374*	*3,752*
of which other short-term loans and borrowings	*34*	*214*	*(180)*
Other short-term loans and borrowings	1,275	1,617	(342)
Hedging derivative liabilities	2,273	486	1,787
Current loans financial liabilities	**30,708**	**25,691**	**5,017**
Total financial liabilities	**95,803**	**83,882**	**11,921**

Non-current financial liabilities, standing at €65,095 thousand and €58,191 thousand as at 31 December 2021 and 31 December 2020, respectively, referred primarily to long-term loans and borrowings.
The non-current portion of other loans and borrowings amounted to €2,853 thousand as at 31 December 2021 and refer to the impact of IFRS 16.
Current financial liabilities, equal to €30,708 thousand and €25,691 thousand as at 31 December 2021 and 31 December 2020, respectively, referred to:

- the current portion of debt for €27,126 thousand and €23,374 thousand, respectively as at 31 December 2021 and 31 December 2020, including the book value of the loans due within 12 months and the accruals of related interest due to the financing institutions;
- other loans and borrowings for €1,275 thousand, fully referred to the impact of the application of IFRS 16;
- liabilities for financial instruments hedging foreign exchange and interest rate risks €2,273 thousand and €486 thousand as at 31 December 2021 and 31 December 2020, respectively.

The breakdown of the changes in financial liabilities is provided below:

(€'000)	
Financial liabilities as at 31 December 2020	**83,882**
Changes in fair value of derivatives	1,787
New loan proceeds	45,643
Loan repayments	(33,357)
Change in other loans and borrowings	(125)
New lease finance (IFRS 16)	1,992
Repayment of lease finance (IFRS 16)	(4,019)
Financial liabilities as at 31 December 2021	**95,803**

The breakdown of net financial debt of the Company as at 31 December 2021 and as at 31 December 2020 is provided below:

	(€'000)	31 December			
		2021	of which intra-group	2020	of which intra-group
A	Cash	134,314	–	91,288	–
B	Cash equivalents	–	–	–	–
C	Other current financial assets	6,490	6,179	5,405	4,758
D	**Liquidity (A + B + C)**	**140,804**	**6,179**	**96,693**	**4,758**
E	Current financial debt	(2,307)	–	(700)	–
F	Current portion of non-current financial debt	(28,401)	–	(24,991)	–
G	**Current financial indebtedness (E + F)**	**(30,708)**	**–**	**(25,691)**	**–**
H	**Net current financial indebtedness (G + D)**	**110,096**	**6,179**	**71,002**	**4,758**
I	Non-current financial debt	(65,095)	–	(58,191)	–
J	Debt instruments	–	–	–	–
K	Non-current trade and other payables	–	–	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(65,095)**	**–**	**(58,191)**	**–**
M	**Total financial indebtedness (H+L)**	**45,001**	**6,179**	**12,811**	**4,758**

For details, see the Report on operations.
As at 31 December 2021, like in previous years, the Company was required to comply with some financial parameters (covenants) on loans to be calculated, on an annual basis, in the consolidated financial statements of Sanlorenzo S.p.A.
As at 31 December 2021, these parameters were complied with.

Loan	Parameter	Limit
Banco BPM unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50
Cassa Depositi e Prestiti mortgage loan €10m 31.12.26	Net financial position/EBITDA	< 1.80
Cassa Depositi e Prestiti mortgage loan €10m 31.12.26	Net financial position/Equity	< 1.00
Crédit Agricole mortgage loan €15m 29.11.26	Net financial position/EBITDA	< 3.25
Creval unsecured loan €7m 05.07.23	Net financial position/EBITDA	< 3.00
Deutsche Bank unsecured loan €7.5m 31.03.23	Net financial position/EBITDA	< 3.25
Deutsche Bank unsecured loan €7.5m 31.03.23	Net financial position/Equity	< 0.90
Intesa Sanpaolo unsecured loan €3m 13.07.22	Net financial position/EBITDA	< 2.15
Intesa Sanpaolo unsecured loan €20m 30.06.26	Net financial position/EBITDA	< 1.80
Intesa Sanpaolo unsecured loan €20m 30.06.26	Net financial position/Equity	< 1.30
MPS unsecured loan €6m 31.12.23	Net financial position/EBITDA	< 1.30
MPS unsecured loan €6m 31.12.23	Net financial position/Equity	< 1.00
UniCredit unsecured loan €8.25m 31.12.22	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €8.25m 31.12.22	Net financial position/Equity	< 0.90
UniCredit unsecured loan €6m 30.09.25	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €6m 30.09.25	Net financial position/Equity	< 0.90
UniCredit unsecured loan €6m 30.09.25	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €10m 30.06.26	Net financial position/Equity	< 0.90
UniCredit unsecured loan €10m 30.06.26	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50

The following table shows the conditions and due dates of the loans as at 31 December 2021 and 31 December 2020, respectively.

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2021					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Sanlorenzo S.p.A.								
Banco BPM – Unsecured loan €5m 30.06.22	1.50%	2021	–	–	–	–	–	–
Banco BPM – Unsecured loan €6m 29.12.23	0.90%	2021	–	–	–	–	–	–
Banco BPM – Unsecured loan €10m 30.06.26	0.55%	2026	9,474	14	9,460	2,100	7,360	–
Banco BPM – Mortgage loan €7.75m 31.12.25	1.20%	2021	–	–	–	–	–	–
Banco BPM – Mortgage loan €814k 31.12.30	0.85%	2030	645	–	645	69	282	294
Banco BPM – Mortgage loan €7.41m 31.12.30	0.85%	2030	5,875	–	5,875	624	2,571	2,680
Banco di Sardegna – Unsecured loan €5m 30.09.25	0.50%	2025	3,762	1	3,761	996	2,765	–
BNL – Unsecured loan €5m 30.06.22	0.45%	2021	–	–	–	–	–	–
BNL – Unsecured loan €5m 30.06.23	0.00%	2023	5,000	–	5,000	3,750	1,250	–
BPER – Unsecured loan €5m 30.09.25	0.50%	2025	3,762	1	3,761	996	2,765	–
Carige – Unsecured loan €5m 31.12.23	1.15%	2021	–	–	–	–	–	–
Cassa Depositi e Prestiti – Unsecured loan €10m 31.12.26	0.75%	2026	7,143	–	7,143	1,429	5,714	–
Crédit Agricole – Mortgage loan €15m 29.11.26	0.65%	2026	7,921	34	7,887	1,550	6,337	–
Creval – Unsecured loan €7m 05.07.23	0.84%	2023	2,510	3	2,507	1,428	1,079	
Deutsche Bank – Unsecured loan €7.5m 31.03.23	0.50%	2023	1,875	1	1,874	1,499	375	–
Intesa Sanpaolo – Unsecured loan €3m 13.07.22	0.65%	2022	450	–	450	450	–	–
Intesa Sanpaolo – Unsecured loan €20m 30.06.26	0.05%	2026	20,000	40	19,960	4,429	15,531	–
MPS – Unsecured loan €6m 31.12.23	0.70%	2023	2,400	6	2,394	1,196	1,198	–
UBI – Unsecured loan €5m 06.06.21	0.95%	2021	–	–	–	–	–	–
UBI – Unsecured loan €3m 13.05.21	0.40%	2021	–	–	–	–	–	–
UniCredit – Unsecured loan €15m 31.12.22	0.20%	2022	3,000	5	2,995	2,995	–	–
UniCredit – Unsecured loan €6m 30.09.25	0.15%	2025	5,625	4	5,621	1,498	4,123	–
UniCredit – Unsecured loan €10m 30.06.26	0.05%	2026	9,474	9	9,465	2,102	7,363	–
Simest – Facilitated loan "Capitalisation" 31.12.27	0.55%	2027	480	–	480	–	360	120
Simest – Facilitated loan for "Fairs and Exhibitions" 08.04.25	0.55%	2025	90	–	90	15	75	–
Total Sanlorenzo S.p.A.			**89,486**	**118**	**89,368**	**27,126**	**59,148**	**3,094**

31 December 2020						
Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
						Sanlorenzo S.p.A.
1,579	17	1,562	1,039	523	–	Banco BPM – Unsecured loan €5m 30.06.22
3,634	19	3,615	1,190	2,425	–	Banco BPM – Unsecured loan €6m 29.12.23
–	–	–	–	–	–	Banco BPM – Unsecured loan €10m 30.06.26
3,198	31	3,167	615	2,552	–	Banco BPM – Mortgage loan €7.75m 31.12.25
714	–	714	68	279	367	Banco BPM – Mortgage loan €814k 31.12.30
6,498	–	6,498	618	2,542	3,338	Banco BPM – Mortgage loan €7.41m 31.12.30
4,753	2	4,751	991	3,761	–	Banco di Sardegna – Unsecured loan €5m 30.09.25
3,750	–	3,750	2,500	1,250	–	BNL – Unsecured loan €5m 30.06.22
–	–	–	–	–	–	BNL – Unsecured loan €5m 30.06.23
4,753	–	4,753	991	3,762	–	BPER – Unsecured loan €5m 30.09.25
3,040	11	3,029	994	2,035	–	Carige – Unsecured loan €5m 31.12.23
8,571	–	8,571	1,429	5,714	1,429	Cassa Depositi e Prestiti – Unsecured loan €10m 31.12.26
9,473	49	9,424	1,536	6,282	1,607	Crédit Agricole – Mortgage loan €15m 29.11.26
3,923	5	3,918	1,408	2,510	–	Creval – Unsecured loan €7m 05.07.23
3,375	3	3,372	1,498	1,874	–	Deutsche Bank – Unsecured loan €7.5m 31.03.23
1,050	–	1,050	600	450	–	Intesa Sanpaolo – Unsecured loan €3m 13.07.22
–	–	–	–	–	–	Intesa Sanpaolo – Unsecured loan €20m 30.06.26
3,600	12	3,588	1,194	2,394	–	MPS – Unsecured loan €6m 31.12.23
846	1	845	845	–	–	UBI – Unsecured loan €5m 06.06.21
2,500	–	2,500	2,500	–	–	UBI – Unsecured loan €3m 13.05.21
6,000	19	5,981	2,987	2,995	–	UniCredit – Unsecured loan €15m 31.12.22
6,000	6	5,994	373	5,621	–	UniCredit – Unsecured loan €6m 30.09.25
–	–	–	–	–	–	UniCredit – Unsecured loan €10m 30.06.26
–	–	–	–	–	–	Simest – Facilitated loan "Capitalisation" 31.12.27
–	–	–	–	–	–	Simest – Facilitated loan for "Fairs and Exhibitions" 08.04.25
77,257	**175**	**77,082**	**23,374**	**46,968**	**6,740**	**Total Sanlorenzo S.p.A.**

25. Trade payables

(€'000)	31 December 2021	31 December 2020	Change
Payables to suppliers	108,164	125,306	(17,142)
Payables to subsidiaries	497	899	(402)
Payables to associated companies	153	153	–
Payables to holding company	–	26	(26)
Trade payables	**108,814**	**126,384**	**(17,570)**

Trade payables include payables to suppliers and payables to associated, subsidiaries and holding companies.
Payables to suppliers amounted to €108,164 thousand and €125,306 thousand as at 31 December 2021 and 31 December 2020, respectively.
Payables to subsidiaries show a balance of €497 thousand as at 31 December 2021 and €899 thousand as at 31 December 2020.
Payables to associates show a balance of €153 thousand as at 31 December 2021 and €153 thousand as at 31 December 2020.
A breakdown of trade payables as current and non-current is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Payables to suppliers	108,164	125,306	(17,142)
of which current	*108,164*	*125,306*	*(17,142)*
Payables to suppliers	**108,164**	**125,306**	**(17,142)**

A breakdown of trade payables by geographical area is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Italy	103,534	120,548	(17,014)
Europe – Other countries	2,868	4,516	(1,648)
Americas	(91)	137	(228)
APAC	1,812	92	1,720
MEA	41	13	28
Payables to suppliers	**108,164**	**125,306**	**(17,142)**

26. Other current liabilities

(€'000)	31 December 2021	31 December 2020	Change
Social security contributions	1,801	1,848	(47)
Other liabilities	1,969	1,988	(19)
Accrued expenses and deferred income	15,575	12,566	3,009
Other current liabilities	**19,345**	**16,402**	**2,943**

Social security contributions show payables at the reporting date due to INPS, INAIL and Previndai (Italian social security institutions) for contributions due on wages and salaries. They were equal to €1,801 thousand as at 31 December 2021 and € 1,848 thousand as at 31 December 2020, down by €(47) thousand.
Other liabilities show a balance as at 31 December 2021 equal to €1,969 thousand and are mainly represented by the payable to employees for salaries and accruals.
Accrued expenses and deferred income were up between 2020 and 2021 by €3,009 thousand. Deferred income mainly refers to commissions due, which accrue according to the progress of work on the construction of boats.

27. Employee benefits

(€'000)	
Balance as at 31 December 2020	**725**
Accruals	198
Interest	4
Utilisations	(131)
Incoming and outgoing employees	–
Present value as at 31 December 2021	**796**
Net actuarial gains/(losses) based on past experience	1
Net actuarial gains/(losses) arising on changes to demographic assumptions	–
Net actuarial gains/(losses) arising on changes to financial assumptions	1
Balance as at 31 December 2021	**798**

The payable related to Post-employment benefits include the benefits accrued by employees at the reporting date, net of any advances received or amounts transferred to the Italian Previndai, Gomma Plastica, Cometa or other pension plans or the INPS treasury fund.
In accordance with IAS 19, the payable related to post-employment benefits using actuarial valuation methods performed by an external expert. These methods are revised when necessary.
The main financial and demographical assumptions are set out below with annual turnover rates and possible advances given to employees used to determine the present value of the group's liability related to post-employment benefits.

FINANCIAL ASSUMPTIONS

	31 December 2021	31 December 2020
Annual discount rate	0.98%	0.34%
Annual inflation rate	1.75%	0.80%
Annual growth rate of post-employment benefits	2.81%	2.10%
Annual remuneration growth rate	0.50%	0.50%

DEMOGRAPHICAL ASSUMPTIONS

Mortality	RG48 mortality tables published by the State General Accounting Department
Disability	INPS tables by age and gender
Retirement	100% upon achievement of AGO requirements

ANNUAL TURNOVER RATE AND ADVANCES OF POST-EMPLOYMENT BENEFITS

	31 December 2021	31 December 2020
Advances	1.00%	1.00%
Turnover rate	1.50%	1.50%

As at 31 December 2021, net actuarial gains based on past experience were equal to €1 thousand. These are gains/(losses) due to variations from one valuation to another in terms of new, outgoing and retired employees, requests for advances, etc. that differ from those assumed. There was also a net actuarial gain arising on changes in financial assumptions equal to €1 thousand.
Actuarial gains and losses are recognised in other comprehensive income while the group provides for the related cost under personnel expenses or as production costs, under the gross operating profit or general and administrative costs as the case may be.

28. Provisions for risks and charges

Provisions for risks and charges

(€'000)	Provision for tax claims	Warranties	Inventory write-down provision	Pre-owned	Exchange rates fluctuations	Total
Provisions for risks and charges as at 31 December 2020	**6,589**	**4,170**	**2,387**	**2,165**	**–**	**15,311**
Accruals for the year	3,332	400	–	153	150	4,035
Utilisations in the year	(4,000)	–	–	(2,165)	–	(6,165)
Provisions for risks and charges as at 31 December 2021	**5,921**	**4,570**	**2,387**	**153**	**150**	**13,181**

Provisions for risks and charges include the provision for disputes, the provision for warranties, the provision for losses on equity investments, the provision for foreign exchange fluctuations and the provisions for risks on pre-owned.

In turn, they may be analysed as follows:

- Provision for disputes: refers to the amount prudently set up by the Company for the resolution of disputes. The item stood at €5,921 thousand as at 31 December 2021 and €6,589 thousand as at 31 December 2020. Further details of current disputes are provided in the following paragraph.
- Provisions for warranties: item quantified based on the best estimate to date of the possible costs that will be incurred for repairs under warranty on yachts already sold at the end of the financial year and for which contract revenue has been recognised; The provision covers the new yachts of the Company. The item stood at €4,570 thousand as at 31 December 2021 and €4,170 thousand as at 31 December 2020. The warranty period is two years for new yachts and one year for pre-owned boats.
- Provision for losses on equity investments: this was set up in order to align the investment in the subsidiary Sanlorenzo Baleari SL to parent's share of its equity. This item shows a balance of €2,387 thousand for the year ended 31 December 2020 and 31 December 2021.
- Provisions for risks on pre-owned boats: as at 31 December 2021, it amounted to €153 thousand and refers to the commitment for withdrawing pre-owned boats on new yachts.
- Provision for exchange rate fluctuations: at 31 December 2021 the balance amounted to €150 thousand.

A breakdown of the provision for warranties between its current and non-current portions is as follows:

(€'000)	31 December 2021	31 December 2020	Change
Warranties	4,570	4,170	400
of which current	*3,386*	*2,937*	*449*
of which non-current	*1,184*	*1,233*	*(49)*
Total	**4,570**	**4,170**	**400**

All other provisions are current.

Administrative, in-court and arbitration proceedings

Administrative, in-court and arbitration proceedings in which the Company is involved

The Company, at the approval date of these Separate Financial Statements, is involved in legal proceedings as part of its normal business activities. They could lead to fines or compensation for damage imputable to the Company.

As far as the Company is aware, these legal proceedings are normal, given the Company's operations and size. Specifically, at the approval date of these Separate Financial Statements, the Company is not involved in any legal proceedings that could have a significant adverse effect. However, it cannot be excluded that their outcome could negatively affect the Company's financial position, performance and cash flow in the future.

Assisted by its legal advisors, the Company has not set up a specific provision for possible liabilities that could arise from the proceedings in its financial statements as it deems that a negative outcome in said disputes is either not possible or remote.
However, the Company cannot exclude that it may be required to disburse amounts in the future should the outcome of the proceedings not be in its favour.
Except as indicated below, as at the date of approval of these financial statements, there are no pending legal or arbitration disputes that may have, or have had in the recent past, significant repercussions on the financial situation or profitability of the Company.
At the date of drafting of the Separate Financial Statements, in relation to the arbitration proceedings brought against the Company, the latter had already booked a liability of €895 thousand in the previous financial statements corresponding to the risk considered likely in respect of said proceedings, based on the estimates of its UK legal advisors.
The main proceedings and inspections involving the Company are described below.

Arbitration proceedings

At the approval date of these Separate Financial Statements, the Sanlorenzo S.p.A. and Contra Limited ("Contra"), a company under Malta's laws, are part of an arbitration proceeding in London. Contra, purchaser of an SD110 yacht, complained of the Company's breach of its obligations under the sale and purchase agreement, requesting that the agreement be terminated and that the Company be ordered to repay the price paid and pay compensation for the damages allegedly incurred, amounting to approximately €10,000,000. In relation to this dispute, the Company recorded a liability of €895 thousand in the financial statements corresponding to the risk assessed as probable on the basis of the estimates made by its English lawyers.

Tax proceedings

Following the conclusion of the tax assessments for income tax and VAT purposes carried out by the tax authority of the region of Liguria for the 2013, 2014, 2015 and 2016 tax periods, the Company has received:

- two notices of assessment for IRES, IRAP and VAT issued by the Italian Revenue Agency - Regional Department of Liguria and relating to the 2013 and 2014 tax years. The first assessment notice requests payment of taxes for a total of € 515 thousand, plus penalties of €586 thousand and interest. The second assessment notice, requests payment of taxes for a total of €317 thousand, plus penalties of €293 thousand and interest;
- a formal invitation to join the tax audit conclusions for IRES, IRAP and VAT purposes issued by the Italian Revenue Agency - Regional Department of Liguria for the 2015 tax period, in which tax issues equal to €698 thousand were identified, plus penalties of €257 thousand and interest. Following the unsuccessful attempt to adhere to the agreement with the Office made by the Company, on 18 March 2021, the notice of assessment was served, with reference to which the Company lodged an appeal within the terms before the Genoa Provincial Tax Commission at the end of May 2021. During the year, the Company was served notice of an assessment, in respect of which it lodged an appeal within the prescribed period with the Genoa Provincial Tax Commission;
- a tax audit report for IRES, IRAP and VAT issued by the Italian Revenue Agency - Regional Department of Liguria and relating to the 2016 tax year. This report contains findings for taxes amounting to a total of €2,157 thousand, whilst penalties of €2,025 thousand are estimated.

With reference to the assessment notice for the 2013 tax period, as it was not possible to settle through conciliation proceedings, the Company has appealed to the Genoa Provincial Tax Commission. On 14 December 2020, the tax commission issued a judgement in favour of the Company with regard to the main finding. With the recent notification of the appeal, the Italian Revenue Agency - Regional Department of Liguria started the procedure before the Regional Tax Commission.
With regard to the assessment notice for the 2014 tax period, as it was not possible to agree on the exceptions through conciliation proceedings, the Company has filed an appeal with the Genoa Provincial Tax Commission. The hearing, originally set for 7 April 2021, was subsequently postponed to 23 June 2021 and lastly, to 3 November 2021 in order to be able to process the judgement in open court. To date, no sentence has been served.
With reference to the invitation to adhere to the agreement relating to the 2015 tax period, it should be noted that, following the unsuccessful attempt to adhere to the agreement with the Office made by the Company, on 18 March 2021, the notice of assessment was served, with reference to which an appeal within the terms was lodged before the Genoa Provincial Tax Commission at the end of May 2021. The hearing, originally set for 7 December 2021, was subsequently postponed first to 18 January 2022 and lastly, to 15 March 2022 in order to be able to process the judgement in open court. With regard to the same tax period and with reference to the tax credit for Research and Development, the Italian Revenue Agency - Regional Department of Liguria has requested specific clarifications, to which the Company responded through its defence counsel.
With regard to the audit on the 2016 tax period, the Italian Revenue Agency - Regional Department of Liguria has informed the Company that it had forwarded the documentation regarding the tax credit for Research and Development to the Ministry of Economic Development, to which it pertains to express an opinion on the technical issues regarding the eligibility of expenses included in the scope of the tax benefit. The outcome of this assessment has not yet been disclosed.
In view of the risk relating to the aforementioned tax audits, the Company set aside a specific accrual amounting to €3,320 thousand as at 31 December 2021, which is currently considered adequate.

Administrative proceedings

At the date of approval of these Separate Financial Statements, the Company is not involved in significant administrative proceedings.
To the date of these Separate Financial Statements, it is a party to other legal proceedings involving immaterial amounts but for which it could be found liable and, hence, required to pay settlements and possible legal costs.

29. Financial instruments – Fair values and risk management

Derivatives

The Company uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. The item includes the fair value of the derivative instruments outstanding at each reference date.
Specifically, as at 31 December 2021, the Company had the following derivatives in its portfolio:

- forward agreements relating to sales of US dollars against Euro for a notional total of €99,756 thousand designated as instruments hedging amounts received in US dollars by the subsidiary Sanlorenzo of the Americas LLC;
- interest rate swaps and interest rate caps for a notional total of €57,808 thousand designated as instruments hedging interest rates on floating rate medium/long-term loans.

The following table shows the fair value of financial instruments at the end of each period. As the derivatives used by the Company are based on observable market data, their valuation takes place at fair value level 2.

(€'000)	31 December 2021	31 December 2020	Change
Derivative assets			
Currency hedges	116	1	115
Interest rate hedges	195	646	(451)
Total assets	**311**	**647**	**(336)**
Derivative liabilities			
Currency hedges	(165)	–	(165)
Interest rate hedges	(2.108)	(486)	(1.622)
Total liabilities	**(2.273)**	**(486)**	**(1.787)**

Financial risk management

Credit risk

Credit risk represents the Company's exposure to potential losses resulting from the failure of the counterparty to fulfil its obligations.
Given the particularity of the products sold, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership. The yacht sale contracts also provide for the Company's right to withdraw from the contract in the event of non-payment of any sum due within the established terms, with the consequent withholding by the Company of any amount collected, refunding to the defaulting party the amounts paid by the latter with the proceeds from the resale of the yacht to a new purchaser, net of expenses, interest and an amount for loss of earnings.
Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Company business, the Company has a prevention and monitoring system, using external sources and internal systems that allow preventive controls on customers' reliability and solvency. Provisions are also made for doubtful or non-performing positions pending the conclusion of the related legal proceedings or out-of-court recovery attempts. The Company believes that the provision for bad debts is appropriate to cope with the risk of potential non-collection of past due receivables. For further details, please refer to the note "Trade receivables" in these financial statements.

Liquidity risk

Liquidity risk is represented by the possibility that the Company may find itself in the position of not being able to meet its payment commitments, whether foreseen or unforeseen, due to a lack of financial resources, thus jeopardizing day-to-day operations or its financial position.

Liquidity risk may arise from any difficulty in obtaining timely financing to support operating activities and may manifest itself in the inability to obtain the necessary resources at reasonable conditions.

Cash flows, funding requirements and liquidity are under the control of the Company, with the objective of ensuring effective management of financial resources.

The Company has dealt with liquidity risk by reinvesting cash flows from operations, in addition to obtaining substantial lines of credit with a number of banks, the total amount of which is deemed more than sufficient to meet its financial requirements, also taking into account the effects of the seasonal nature of the sector on cash flows. The concentration of the collection of orders and deliveries in specific periods of the year, against the constant flow of payments to Company suppliers and contractors, has in fact, an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which short-term financial debt may be higher as a result of the lower flow of collections. The Company therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements.

As at 31 December 2021, the Company has bank credit lines to meet requirements equal to €101,100 thousand , in addition to €134,314 thousand of cash and against a total gross debt of €95,803 thousand (including lease liabilities and the fair value of derivatives).

For further details on the maturities of the financial payable, see the note "Financial liabilities" in these financial statements.

Exposure to interest rate fluctuation

The Company is exposed to changes in interest rates on its medium-long term floating rate debt instruments, entirely referring to the Euro zone. The management of interest rate risk is consistent with established practice over time aimed at reducing the risk of volatility in interest rates and achieving an optimal mix between variable and fixed rates in the structure of loans, thereby mediating fluctuations in market interest rates in order to pursue, at the same time, the objective of minimising financial expense.

The Company manages the risk of interest rate fluctuations through the use of derivative hedging instruments, such as interest rate swaps or interest rate caps with financial counterparties of primary standing.

As at 31 December 2021, Sanlorenzo has 8 interest rate swaps and 1 interest rate cap in place for a total notional amount of €57,808 thousand, against medium/long-term bank debt at floating rates of €71,930 thousand.

The following table shows an analysis of the sensitivity of derivative instruments on interest rates, carried out by applying to the portfolio a variation, positive or negative, of the interest rate curve in Euro of 10 basis points.

(€'000)	Fair value as at 31 December 2021	Change +10 basis points	Change -10 basis points
Interest rate hedges	117	73	(169)

Exposure to exchange rate fluctuations

The geographical distribution of the Company's commercial activities entails exposure to exchange rate risk, which arises from transactions of a primarily commercial nature carried out in currencies other than the functional currency, as a result of fluctuations in exchange rates between the time at which the relationship originates and the time at which the transaction is completed (collection/payment).

In terms of revenues, the Euro is the most commonly used invoicing currency for the sale of yachts. The residual cases of sales of yachts in other currencies exclusively concern contracts signed by the subsidiary Sanlorenzo of the Americas denominated in US dollars.

The Company manages the risks of changes in foreign exchange rates on US dollar sales through its foreign currency sales pricing policy and through the use of derivative financial instruments. In particular, when setting the sale price in foreign currency, the Company, starting from its own margin objectives in Euro, usually applies the exchange rate in force on the date of stipulation of the contract and start of construction of the vessel, increased by the financial component (cost of carry) connected with the expected timing of receipts from the sale. On these maturities, the Company carries out hedging operations through derivative instruments, typically forwards or other types of forward sale with financial counterparties of primary standing, implementing a policy of hedging only transactional exchange rate risk, thus deriving from existing commercial transactions and future contractual commitments.

As at 31 December 2021, the Company had forward contracts for the sale of US dollars relating to collections to be received for a total notional amount of €99,756 thousand.

The following table shows an analysis of the sensitivity of derivative instruments on exchange rates, carried out by applying to the portfolio a variation, positive or negative, of the Euro against the US dollar equal to 5%.

(€'000)	Fair value as at 31 December 2021	Appreciation of 5% of US Dollar against Euro	Depreciation of 5% of US Dollar against Euro
Currency hedges	(1,914)	(7,247)	(2,913)

As far as costs are concerned, as production is carried out in Italy with Italian suppliers and contractors, costs in currencies other than the Euro are residual and sporadic, and therefore no hedging operations are carried out.

GROUP STRUCTURE

30. Subsidiaries

The following table provides information, as at 31 December 2021, concerning the name and registered office of all subsidiaries, as well as the Company's direct or indirect holdings in their share capital.

Company name	Registered office	Currency	Share capital (currency unit)	Holding	
				Direct	Indirect
Bluegame S.r.l.	Ameglia (SP) – Italy	Euro	100,000	100.0%	–
PN Sviluppo S.r.l.	Viareggio (LU) – Italy	Euro	40,000	100.0%	–
PN VSY S.r.l.	Viareggio (LU) – Italy	Euro	10,000	100.0%	–
Sanlorenzo Baleari SL	Puerto Portals, Mallorca – Spain	Euro	500,000	100.0%	–
Marine Yachting Monaco S.A.M.	Monte-Carlo – Principality of Monaco	Euro	150,000	99.7%	–
Sanlorenzo of the Americas LLC	Fort Lauderdale (FL) – USA	USD	2,000,000	90.0%	–
Fortune Yacht LLC	Fort Lauderdale (FL) – USA	USD	1,000	–	90.0%

Bluegame S.r.l.

This company, with registered office in Ameglia, was set up at the end of 2017 to acquire the historical "Bluegame" brand from Open Boat Italia, a company owning yacht moulds, under deed of arrangement. In 2019, the Parent Company acquired a 49.5% stake in Bluegame from other shareholders, which, added to the 50.5% stake already in its possession, has given it a 100% stake.
The company ended 2021 with a net profit equal to €3,128 thousand, up significantly compared to the € 2,024 thousand recorded in 2020.

Sanlorenzo of the Americas LLC

Based in Fort Lauderdale (Florida, USA), this company's business objective is to sell Sanlorenzo yachts to international customers in Canada, the US and Central and South America as well as acting as a dealer and providing post-sale support in these markets. Since its incorporation in September 2008, Sanlorenzo of the Americas has steadily promoted the Sanlorenzo brand in the American markets.
On 15 July 2019, Sanlorenzo S.p.A sold a 10% stake in Sanlorenzo of the Americas to the Chief Executive Officer of the company, Marco Segato.
In the year ended 31 December 2021, the subsidiary recorded a €3,280 thousand gain for IFRS purposes, against a €77 thousand gain as at 31 December 2020.

Sanlorenzo Baleari SL

This company, based in Puerto Portals, Mallorca (Spain) with a share capital of €500 thousand, provides support to the sales and customer service activities in Spain and the Balearic Islands.
In 2020, Sanlorenzo S.p.A. subscribed the entire share capital, increasing its stake from 51% to 100%.
In 2021, the company recorded a profit equal to €270 thousand and in 2020, it recorded a profit equal to €183 thousand.

Marine Yachting Monaco S.A.M.

The company, with registered office in the Principality of Monaco and a share capital of €150 thousand, carries out sales support and service activity to customers in the area.
On 28 September 2020, Sanlorenzo S.p.A. acquired a 40.0% stake in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Currently, Sanlorenzo S.p.A. holds 99.7% of the share capital of Marine Yachting Monaco.
The company closed 2021 with a loss of €45 thousand and 2020 with a loss of €89 thousand.

PN VSY S.r.l.

The company, with registered office in Viareggio and share capital of €10 thousand, was incorporated in April 2021. On 8 July 2021, PN VSY S.r.l. acquired the business unit of the company Viareggio Superyachts S.r.l. in liquidation, including a building located in Viareggio near the Sanlorenzo shipyards, as well as plant and equipment. The building, with a production area of approximately 3,000 square metres, was used for the fitting out of metal superyachts, notably of the new X-Space line.
The company closed 2021 with a profit of €3 thousand.

PN Sviluppo S.r.l.

The company, based in Viareggio and with a share capital of €40 thousand, was established in December 2021 and holds 50% of the share capital of Restart S.p.A., a 50:50 joint venture established with Ferretti Group to take part in the auction for the acquisition of Perini Navi S.p.A., awarded in December 2021 to a third bidder.
The company closed 2021 with a loss of €2 thousand.

Fortune Yacht LLC

The company, headquartered in Fort Lauderdale and with a capital of USD 1 thousand, is wholly owned by Sanlorenzo of the Americas LLC and conducts brokerage activities in the American market.
The company closed 2021 with a profit of €161 thousand.

31. Associated companies

The Company holds - directly or indirectly - the following equity investments in associated companies, included in the Company's financial statements with the equity method:

- 49.81% stake in the company Polo Nautico Viareggio S.r.l. ("Polo Nautico"), which manages, for the consortium companies, an area of approximately 7,000 square metres on the seafront, complete with mooring quays and the relevant equipment and services in Viareggio.
- 50% stake in Restart S.p.A., indirectly held through PN Sviluppo S.r.l., 50:50 joint venture with Ferretti Group established on 28 April 2021 also to take part in the auction for the acquisition of the Perini Navi S.p.A. assets.

ADDITIONAL INFORMATION

32. Commitments

The most significant contractual commitments undertaken with third parties as at 31 December 2021 refer to:

- credit mandates for bank credit lines granted to Bluegame S.r.l. and Sanlorenzo of the Americas LLC for a total of €31,329 thousand;
- corporate guarantees issued by the Parent Company on a loan granted to a brand representative for the purchase of boats of the Group equal to €4,042 thousand;
- corporate guarantee issued by the Parent Company in favour of Banco BPM for a €1,907 thousand loan granted to the associate Polo Nautico Viareggio S.r.l.;
- sundry sureties for a total of €295 thousand relating to state concessions, guarantees issued to public administrations, etc.

33. Contingent liabilities

Legal proceedings are ongoing for events related to the group's normal business activities. They include a tax dispute and some civil proceedings mostly with customers and insurance companies.
The Company's directors do not believe that any of these proceedings involve a risk of a significant cash outlay or may give rise to significant liabilities in excess of the accruals already made. They will evaluate any negative developments that cannot currently be foreseen or calculated, which may arise as a result of internal analyses or the ongoing judicial investigations and may then make a provision.

34. Share-based payments

On 21 April 2020, the Shareholders' Meeting of Sanlorenzo S.p.A. approved, pursuant to and for the purposes of Article 114-bis of Italian Legislative Decree no. 58/1998 (Consolidated Law on Finance), the adoption of an incentive and loyalty plan called "Stock Option Plan 2020" reserved to the executive directors, general managers, managers with strategic responsibilities and employees with a permanent employment contract and qualification as at least an office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The Stock Option Plan 2020 provides for the free assignment to each of the beneficiaries of options that grant the right to subscribe ordinary shares of Sanlorenzo S.p.A. to be issued in execution of the share capital increase planned to service the plan, at a ratio of 1 share for each 1 option, at a price set at €16.00 per share.
Performance goals are determined by one or more of the following parameters: (i) consolidated EBITDA as at 31 December of the relevant year; (ii) consolidated Net Financial Position as at 31 December of the relevant year; and (iii) personal objectives established due to the Beneficiary's role and function.
The maximum total number of ordinary shares of Sanlorenzo S.p.A., which can be assigned to the beneficiaries for the implementation of the Plan, is equal to 884,615 ordinary shares, i.e. all the shares that can be issued in execution of the capital increase. As at 31 December 2021, a total of 868,671 options have been granted.
The vesting period of the options is four years, in compliance with the minimum average vesting period of two years provided for by the regulations.

As at 10 December 2021, the initial exercise date for the first tranche tied to the achievement of 2020 performance targets, a total of 199,512 options were exercisable, of which 39,268 options were exercised by the end of the fiscal year.

35. Related parties and intra-group transactions

Business and financial relationships with related parties are governed under market conditions, taking into account the characteristics of the goods and services provided.
Transactions with related parties deemed relevant pursuant to the "Procedure governing related party transactions" adopted by the Group, available on the Company's website (www.sanlorenzoyacht.com) under the "Corporate Governance" section, are described below.
In 2021, outstanding transactions with related parties regard primarily commercial and financial transactions carried out under market conditions, as listed below.

Holding Happy Life S.r.l.
Business transactions with Holding Happy Life S.r.l. (HHL), the holding company of Sanlorenzo, regard the contract for the acquisition of a Sanlorenzo yacht – SX112 – signed on 26 June 2019 based on the approval resolution of the Sanlorenzo Board of Directors of 24 June 2019 pursuant to the regulations on conflicts of interests. The yacht was delivered in 2020; following delivery, HHL made the yacht available to Sanlorenzo for marketing activities pursuant to the charter agreement stipulated between the parties.
On 16 November 2020, the contract for the supply of a new vessel – SP110 – was also signed, after approval of the Board of Directors of Sanlorenzo on 9 November 2020. On 5 November 2021, HHL and Sanlorenzo entered into an agreement to provide the aforementioned yacht, a contract previously approved by the Related Party Transactions Committee on 3 November 2021 and the Board of Directors on 4 November 2021.
On 13 September 2021, the Sanlorenzo Board of Directors, subject to the positive opinion of the Related Party Transactions Committee on 30 July 2021, approved the sale to HHL of the prototype of the superyacht – SL50Steel – equipped with a hybrid propulsion system and fuel cells for the generation of electricity on board. For this operation, a letter of intent was signed prior to the signing of the contract and the deposit cashed, pending the definition of certain technical aspects of the vessel.
On 10 December 2021, the Board of Directors, subject to the positive opinion of the Related-Party Transactions Committee, approved the purchase of the Sanlorenzo SX112 yacht from HHL.

Nuova Nautical Transports S.r.l.
Business transactions with Nuova Nautical Transports S.r.l., the chief executive officer of which, Gian Paolo Tamburini, is the uncle of the Chairman and Chief Executive Officer Massimo Perotti and great uncle of the director Cecilia Maria Perotti, regard the on-road goods transport activity for Sanlorenzo, pursuant to the framework agreement entered into on 6 April 2020, expiring on 31 December 2022, based on the resolution of the Sanlorenzo Board of Directors of 20 March 2020.

World Yachts S.r.l.
Business transactions with World Yachts S.r.l., the shareholder and chief executive officer of which, Glenda Cecchi, is the wife of the senior executive Ferruccio Rossi, regard supplies of materials to Sanlorenzo, pursuant to the framework agreement concluded on 6 April 2020, expiring on 31 December 2022, after the resolution of the Sanlorenzo Board of Directors on 20 March 2020.

Fondazione Sanlorenzo
Transactions with the Fondazione Sanlorenzo, established by the Perotti family on 19 April 2021, are related to the non-exclusive and free use license of the brand "Sanlorenzo" for the purpose of carrying out the foundation's institutional activities and to the initial contribution of €50,000 paid in June 2021, following the resolution of the Board of Directors of Sanlorenzo of 4 May 2021.

Cesare Perotti
Son of the Chairman and Chief Executive Officer Massimo Perotti and brother of the director Cecilia Maria Perotti, Cesare Perotti was hired by the subsidiary Bluegame S.r.l. with an apprenticeship contract, transaction examined by the Board of Directors on 9 November 2020.

Ferruccio Rossi
Financial transactions with the senior executive Ferruccio Rossi regard a loan granted by Sanlorenzo on 9 July 2018. In February 2021, the Related Party Transactions Committee and the Board of Directors approved the new terms.

Antonio Santella
Financial transactions with the senior executive Antonio Santella regard a loan granted by Sanlorenzo on 20 July 2018. In February 2021, the Related Party Transactions Committee and the Board of Directors approved the new terms.

The tables below provide information on transactions with related parties as at 31 December 2021 impacting the income statement as well as the balance sheet.

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing	Other costs for services	Personnel expenses	Net financial income/(expenses)
Holding Happy Life S.r.l.	4,182	(9,000)	–	(144)	–	–
Nuova Nautical Transports S.r.l.	–	–	–	(484)	–	–
World Yachts S.r.l.	6	(2,361)	(53)	(4)	–	–
Fondazione Sanlorenzo				(50)		
Ferruccio Rossi	–	–	–	–	(868)	2
Antonio Santella	–	–	–	–	(2,029)	1
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	(2,350)	(3,844)	–
Total related parties	**4,188**	**(11,361)**	**(53)**	**(3,212)**	**(6,741)**	**3**
Total financial statements	**608,684**	**(210,491)**	**(191,211)**	**(51,453)**	**(41,738)**	**(770)**
Incidence %	*0,7%*	*5,4%*	*0,0%*	*6,2%*	*16,2%*	*(0,4)%*

(€'000)	Other current assets	Contract assets	Trade receivables	Contract liabilities	Trade payables	Other current liabilities
Holding Happy Life S.r.l.	–	–	7,320	4,818	–	–
Nuova Nautical Transports S.r.l.	20	–	–	–	27	–
World Yachts S.r.l.	–	–	–	–	665	–
Ferruccio Rossi	200	–	2	–	–	392
Antonio Santella	100	–	1	–	–	73
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	–	1,705
Total related parties	**320**	**–**	**7,323**	**4,818**	**692**	**2,170**
Total financial statements	**44,863**	**111,750**	**18,064**	**103,167**	**108,814**	**19,345**
Incidence %	*0,7%*	*0,0%*	*40,5%*	*4,7%*	*0,6%*	*11,2%*

In addition, the following relationships, which are excluded from the previous statements, as relating to transactions under standard conditions, similar to those normally applied to non-related parties for equivalent transactions, or based on regulated tariffs:

- Confindustria Nautica: industry association to which Sanlorenzo adheres and in which the Chairman Massimo Perotti and the executive director Carla Demaria are members of the board;
- I Saloni Nautici S.r.l.: company that organises the Genoa Boat Show and of which the executive director Carla Demaria is Chairperson;
- Gruppo Ormeggiatori del Golfo della Spezia: limited liability cooperative company that provides mooring and port handling services and in which the standing auditor Roberto Marrani is standing auditor.

Intra-group relations and transactions with associated companies

The main transactions finalised by Sanlorenzo S.p.A. with the companies of the Group are:

- trade relations: primarily distribution agreements governing the sales of products and agency commissions within the territories under their scope, as well as the conditions in terms of trade management;
- financial relations: primarily interest-bearing financial agreements among the subsidiaries and the Company;
- service relations: primarily related to technical support services provided by the Company to the subsidiaries.

The Company deems that all the relations among the companies of the Group do not qualify as atypical or unusual as they fall under the ordinary course of the Group's activities.

The following tables provide information on the financial and economic relations and of the transactions with Group companies carried out by the Company during the year.

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial income/ (expenses)
Sanlorenzo Baleari SL	5,001	–	–	(3)	–	9
Marine Yachting Monaco S.A.M.	–	–	–	(4)	–	–
Bluegame S.r.l.	661	–	–	(119)	–	–
PN VSY S.r.l.	–	–	–	(383)	–	12
PN Sviluppo S.r.l.	–	–	–	–	–	–
Fortune Yacht LLC	–	–	–	–	–	–
Sanlorenzo of the Americas LLC	96,609	(43)	–	(1,707)	–	79
Total	**102,271**	**(43)**	**–**	**(2,216)**	**–**	**100**
Total financial statements	**608,684**	**(210,491)**	**(191,211)**	**(51,453)**	**(41,738)**	**(770)**
Incidence %	*16.8%*	*0.0%*	*0.0%*	*4.3%*	*0.0%*	*(13.0)%*

(€'000)	Other current assets	Contract assets	Other financial assets, including derivatives	Trade receivables	Contract liabilities	Trade payables
Sanlorenzo Baleari SL	–	–	4,179	10	1,745	–
Marine Yachting Monaco S.A.M.	–	–	–	–	–	4
Bluegame S.r.l.	–	–	–	451	–	113
PN VSY S.r.l.	–	–	5,000	12	–	268
PN Sviluppo S.r.l.	–	–	4,000	–	–	–
Fortune Yacht LLC	–	–	–	–	–	–
Sanlorenzo of the Americas LLC	–	15,057	2,179	263	6,318	112
Total	**–**	**15,057**	**15,358**	**736**	**8,063**	**497**
Total financial statements	**44,863**	**111,750**	**15,669**	**18,064**	**103,167**	**108,814**
Incidence %	*0.0%*	*13.5%*	*98.0%*	*4.1%*	*7.8%*	*0.5%*

The following tables provide information on the financial and economic relations and of the transactions with associated companies carried out by the Company during the year.

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial income/ (expenses)
Polo Nautico Viareggio S.r.l.	–	–	–	(628)	–	19
Total	**–**	**–**	**–**	**(628)**	**–**	**19**
Total financial statements	**608,684**	**(210,491)**	**(191,211)**	**(51,453)**	**(41,738)**	**(770)**
Incidence %	*0.0%*	*0.0%*	*0.0%*	*1.2%*	*0.0%*	*(2.5)%*

(€'000)	Other current assets	Contract assets	Other financial assets, including derivatives	Trade receivables	Contract liabilities	Trade payables
Polo Nautico Viareggio S.r.l.	–	–	–	8	–	154
Total	**–**	**–**	**–**	**8**	**–**	**154**
Total financial statements	**44.863**	**111.750**	**15.669**	**18.064**	**103.167**	**108.814**
Incidence %	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.1%*

Remunerations paid by the Company

The remuneration paid by the Company to the members of the Board of Directors, the members of the Board of Statutory Auditors and the Managers with strategic responsibilities during the year is provided below:

(€'000)	31 December 2021
Emoluments	2,370
Remuneration for participation in committees	34
Total remuneration paid to the Board of Directors	**2,404**

(€'000)	31 December 2021
Total remuneration paid to the Board of Statutory Auditors (excluding the additional charges provided by the law)	**80**

(€'000)	31 December 2021
Total remuneration paid to the Managers with strategic responsibilities	**6,741**
of which gross annual salary	*2,257*
of which bonus	*2,869*
of which non-competition agreement	*70*
of which fair value of stock options	*141*

36. Remuneration to the Independent Auditing Firm

Pursuant to Article 149-duodecies of the Issuers' Regulations, the remuneration paid to the Independent Auditing Firm is provided below.

(€'000)	Service provider	Remuneration for 2021
Auditing	BDO Italia S.p.A..	97
Total remuneration paid to the Independent Auditing Firm		**97**

37. Information pursuant to Article 1, paragraph 125, of Italian Law no. 124, 4 August 2017

During 2021, different types of State aid were recognised, consisting of economic and financial benefits under the "Temporary Framework for State Aid Measures to Support the Economy in the Current Emergency of COVID-19" as amended and supplemented (Temporary Framework) and the "Interprofessional Funds for Continuing Education for the Granting of State Aid".

Beneficiary	Amount recognised (Euro)	Description
Sanlorenzo S.p.A.	60,000	Interest subsidy under the "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - participation of companies in Fairs and Exhibitions - remedy to a serious disturbance in the economy
Sanlorenzo S.p.A.	1,207	Repayable advance under "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - promotion of export and internationalisation - participation of companies in Fairs and Exhibitions - promotion of export and internationalisation
Sanlorenzo S.p.A.	320,000	Interest subsidy under the "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - intervention to support the capitalization of exporting companies - remedy to a serious disturbance in the economy
Sanlorenzo S.p.A.	5,187	Repayable advance under "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency" - intervention to support the capitalisation of exporting companies - promotion of export and internationalisation
Sanlorenzo S.p.A.	16,085	Interest rate subsidy related to Continuing Education
Sanlorenzo S.p.A.	19,290	Interest rate subsidy related to Continuing Education

Pursuant to the provisions of Article 125-quinquies of Italian Law no. 124 of 4 August 2017, for any further disbursements received, reference should be made to the indications contained in the National Register of State Aid pursuant to Article 52 of Italian Law no. 234 of 24 December 2012.

38. Management and coordination activities

In addition to the situation of control pursuant to Article 93 of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), the parent company Holding Happy Life S.r.l does not exercise management and coordination activities over Sanlorenzo pursuant to Articles 2497 et seq. of the Italian Civil Code.

ACCOUNTING STANDARDS

39. Significant accounting standards

The accounting standards described below have been consistently applied to all periods included in these Separate Financial Statements, unless otherwise indicated (see also note "Significant accounting standards" in these financial statements).
Some items of the statement of profit/(loss) and other comprehensive income statements presented for comparative purposes have been reclassified or restated to reflect the change in a standard (see also note "Significant accounting standards" in these financial statements).

Basis of preparation

The Separate Financial Statements as at 31 December 2021 include the statement of financial position, the statement of profit/(loss) and other comprehensive income, the statement of changes in equity, the statement of cash flow and the corresponding explanatory notes.
The financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS include the ruling International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The Separate Financial Statements have been prepared using the historical cost method (any exceptions to this method are explained below) and the going concern assumption. The Directors have in fact, determined that there are no significant uncertainties (as defined by paragraph 25 of IAS 1) on business continuity.
Among the options allowed by IAS 1, the Company elected to present its assets and liabilities as current or non-current and its income statement classifying costs by nature. The statement of cash flows is prepared using the indirect method.
The significant accounting standards adopted to prepare the Separate Financial Statements applied to all the periods presented in the Company's financial statements are described below.
Unless specified otherwise, the accounting standards have been applied consistently to all the periods included in the Separate Financial Statements. Please refer to note "Significant accounting standards" for more information and details regarding the application of the accounting standards.

Foreign currency transactions

Foreign currency transactions are recorded in Euro by applying to the amount in foreign currency the spot rate of exchange between the Euro and the foreign currency in effect as at the transaction date.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit/(loss) of the year as finance expense.

Revenues from contracts with customers

In accordance with IFRS 15, revenues from contracts with customers are recognised when control of the good or service is transferred to the customer either over time or at a point in time.
In relation to pre-owned boats, since the acquisition of the same takes place following the sales of new yachts and constitutes part of the payment of the agreed price, it should be noted that, according to IFRS 15, the sale price of new yachts and therefore also the calculation of the related revenues reflects the difference between the contractually attributed value of the pre-owned boats and their relative fair value.
Contracts for the sale of new yachts that meet the requirements for the recognition of revenue over time are classified as "contract assets" or "contract liabilities" depending on whether the difference between the fulfilment of the performance obligation by the Company and the progress payments received from the customer is positive or negative. In particular:

- Contract assets include the right to the consideration for the goods or services already transferred to the customer;
- contract liabilities show the Company's obligation to transfer goods or services to the customer for which it has already received (or has the right to receive) a consideration.

If a contract has more than one performance obligation, which is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to a customer, classification as a contract asset or liability takes place considering all the performance obligations as a whole.
Assets and liabilities arising from contracts with customers where the revenue is recognised over time are measured using the cost-to-cost method, whereby the contract costs, revenue and profit or loss is recognised in line with fulfilment of the performance obligation (progress towards completion).The percentage of costs incurred at the reporting date is compared to the total costs to satisfy the performance obligation.
Conversely, if the requirements for the recognition of revenue over time are not met, revenue is recognised at a point in time. In this case, progress towards completion is recognised under inventories.
Contract assets are recognised net of any accumulated impairment losses.

Estimates are periodically updated and any economic effects are accounted for in the year in which the updates are made. Onerous contracts are treated in accordance with the methods described further on in this note.
The consideration for contracts in a currency other than the functional currency is measured by translating the accrued consideration, calculated using the percentage of completion method, using the closing rates. The Company's exchange rate risk policy requires that all contracts that expose cash flows to changes in exchange rates are hedged on time.
See note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.
Revenues related to maintenance, sales of spare parts and charter services activities are managed through spot orders from the client and are recognised on a "point in time" basis.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Company implements share-based payment transactions settled with equity instruments, as part of the remuneration policy adopted for executive directors, general managers, managers with strategic responsibilities and employees with a permanent contract of employment and at least one office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The theoretical benefit attributed to the beneficiaries of the stock option plan is charged to the income statement, with a contra-entry in the shareholders' equity reserve, over the period during which the beneficiaries obtain the right to the incentives (vesting period).
The amount recognised as an expense is adjusted to reflect the actual number of incentives for which the conditions of continued service and non-market performance have vested, so that the final amount recognised as an expense is based on the number of incentives meeting those conditions as of the vesting date. In the case of incentives recognised in share-based payment whose conditions are not to be considered vesting, the fair value at the grant date of the share-based payment is measured to reflect those conditions. With reference to the non-vesting conditions, any differences between the assumptions on the allocation date and the actual ones will have no impact on the financial statements.
This benefit is quantified by measuring the fair value of the shares at the grant date using financial valuation techniques, including any market conditions in the valuation, and adjusting at each reporting date the number of rights expected to be granted.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans
The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.
An independent actuary performs the calculation using the projected unit credit method. When the calculation generates a surplus, the Company recognises a net benefit asset to the extent of the asset ceiling, i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Net interest for the year on the net liability/(asset) for defined benefits is calculated by applying to the net liability/(asset) the discount rate used to discount the defined benefit obligation, determined at the beginning of the year, considering any changes in the net liability/(asset) for defined benefits that occurred during the year following the contributions received and the benefits paid. Net interest and other expenses on the net defined benefit liability (asset) are recognised in profit/(loss) of the year.
When changes are made to the benefits of a plan or when a plan is curtailed, the portion of the economic benefit relating to past service or the profit/(loss) of the year resulting from the plan curtailment is recognised in the profit/(loss) of the year at the time of the adjustment or curtailment.

Other long-term employee benefits
The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. This benefit is discounted. Revaluations are recognised in profit/(loss) for the year when they arise.

Termination benefits
Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

Public contributions
Government grants relating to costs incurred during the period are recognised in profit/(loss) of the year as other income when the government grant becomes receivable. Other government grants relating to assets recorded in the balance sheet are initially recognised at fair value as deferred revenues if there is reasonable certainty that they will be received and that the Company will comply with the conditions for their receipt and are then recognised in profit/loss for the year as other income on a systematic basis over the useful life of the asset to which they refer.

Cost recognition

Costs are recognised when they relate to goods or services acquired or used in the period or on an accruals basis.

Financial income and expenses

Interest income or expense is recognised in profit/(loss) of the year using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the financial asset's useful life: – is the gross book value of the financial asset; or – at the amortised cost of the financial liability. In order to calculate interest income and expense, the effective interest rate is applied to the asset's gross carrying amount (when the asset is not impaired) or the liability's amortised cost. Moreover, when a financial asset is impaired after initial recognition, interest income is calculated by applying the effective interest rate to the financial asset's amortised cost. Should the financial asset no longer be impaired, the interest income is again calculated considering the asset's gross carrying amount.

Income taxes

The tax expense for the period includes the current and deferred taxes recognised in profit/(loss) of the year, except for those related to business combinations or captions recognised directly in equity or other comprehensive income. The Company recognises interest and fines related to income taxes, including the accounting treatment to be applied to income taxes of an uncertain nature, in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets, when they do not meet the definition of income taxes.

Current taxes

Current taxes comprise the expected tax payable or receivable on the taxable profit or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only when certain criteria are met.

Deferred taxes

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognised for:

- temporary differences arising on the initial recognition of assets and liabilities in a transaction other than a business combination that does not affect either the accounting profit or loss or the taxable profit (or tax loss);

- temporary differences arising on investments in subsidiaries, associates and joint ventures where the Company is able to control when they will reverse and it is probable that the temporary differences will not reverse in the foreseeable future and taxable temporary differences recognised on goodwill; and
- taxable temporary differences related to the initial recognition of the goodwill.

Deferred tax assets are recognised for unused tax losses and tax credits, as well as for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which such assets can be used. Future taxable income is defined on the basis of the cancellation of the relative deductible temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. These reductions must be reinstated when the probability of future taxable income increases.
Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that the Company will acquire future taxable profits again which they can be used.
Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.
Measurement of the deferred tax reflects the tax effects of how the Company expects to recover or settle the carrying amount of assets and liabilities at the reporting date.
Deferred tax assets and liabilities are offset only when certain criteria are met.

Trade receivables

Trade receivables arising on the sale of goods or services produced or sold by the Company are recognised under current assets. They are recognised at their nominal amount (shown in the invoice) net of any impairment losses, provided for on the basis of an estimate of the risk that the trade receivables will not be collected at the reporting date.
Trade receivables are subsequently measured at amortised cost, which is their initial recognition amount net of principal repayments, increased or decreased by amortisation applying the effective interest method to any difference between the initial carrying amount and their amount at repayment, less any adjustments (made directly or through the bad debts provision) due to a loss in value or because the trade receivables are not expected to be recovered.
On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.
The Company recognises impairment losses where there is objective evidence that it will not recover the amount from the counterparty in line with the contract terms.

Objective evidence includes events such as:
a) significant financial difficulty of the borrower;
b) pending legal disputes with the borrower about the recoverability of the amount;
c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows recognised in profit or loss. Unrecoverable amounts are derecognised from the statement of financial position through the bad debts provision. If in subsequent periods, the reasons for the previous impairment losses cease to exist, the value of the assets is restored up to the value that would have derived from the valuation at amortised cost.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined according to the FIFO method. In the case of inventories of products manufactured by the Company, cost includes an appropriate share of production overheads based on normal operating capacity.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost, including capitalised borrowing costs, net of depreciation and any impairment losses.
If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent costs

Subsequent costs are capitalised only when it is probable that the related future economic benefits will flow to the Company.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation is generally recognised in profit/(loss) for the year. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

Land and buildings	
Industrial buildings	3%
Buildings on third-party land	State concession term
Plants and equipment	
Plants and equipment	11.50%
Industrial and commercial equipment	
Industrial equipment	25%
Moulds and models	12.50%
Cradles	10%
Other assets	
Trade fair furniture and fittings	10%
Office furniture and equipment	12%
Furniture and electronic equipment	20%-25%
Light construction	10%
Vehicles	20%
Other	10%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets and goodwill

Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Research expenditure is expensed under profit/(loss) when incurred. Development costs are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, they are recognised in profit or loss as incurred.
Subsequent to initial recognition, development costs are measured at cost less accumulated amortisation and any accumulated impairment losses.
Other intangible assets with a finite useful life are recognised at cost less amortisation and any impairment losses.

Subsequent costs
Subsequent costs are capitalised only when they increase the expected future economic benefits attributable to the asset to which they refer. All other subsequent costs, including those relating to goodwill and internally generated trademarks, are charged to the profit/(loss) for the year in which they are incurred.

Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit/(loss) of the year.
The estimated useful lives for current and comparative periods are as follows:

Development costs	8 years - 12.50%
Software	5 years - 20%
Mooring	Transaction term
Trademarks	18 years
Consolidation difference	10 years - 10%
Other	Based on individual transactions terms

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Cash and cash equivalents
Cash and cash equivalents include cash, deposits with banks or other credit institutions available for current operations, postal accounts and other cash equivalents as well as investments with a maturity of less than three months. Cash and cash equivalents are recognised at their fair value which is usually equal to their nominal amount.

Financial instruments
Recognition and measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.
A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.

Financial assets: classification and subsequent valuation
On initial recognition, financial assets are classified according to the valuation:
- amortised cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

The Company defines their classification in line with the business model within which the financial assets are held and the contractual cash flow characteristics of the financial asset.
Financial assets are not reclassified after their initial recognition unless the Company modifies the business model for the management of financial assets. In this case, all involved financial assets are reclassified on the first day of the year following the change made to the business model.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This choice is made for each asset.
All financial assets not classified as valued at amortised cost or at FVOCI, as indicated above, are valued at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: assessment of the business model
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Financial assets: assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the following condition. For assessment purposes, the Company takes into consideration:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate elements;
- elements on prepayments and extension; and
- contract terms that limit the Company's requests for cash flows to specific assets.

Financial assets: subsequent valuation and profits and losses
Financial assets measured at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit/(loss) of the year. See note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.
Financial assets measured at amortised cost: these assets are subsequently valued at amortised cost in accordance with the effective interest criterion. The amortised cost is decreased by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit/(loss) of the year as are any derecognition gains or losses.
Debt securities measured at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit/(loss) of the year. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit/(loss) of the year.
Equity securities measured at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised as income in profit/(loss) of the year unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit/(loss) of the year.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified contractual terms is recognised at fair value.
On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit/(loss) of the year.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives and hedge accounting

The Company uses derivatives to hedge its exposure to currency and interest rate risks.
Derivatives are always measured at fair value through profit or loss, unless they qualify for hedge accounting for a specific risk related to the Company's underlying asset or liability or commitments.
At inception of the designed hedging relationship, the Company documents its risk management objective and strategy, the economic relationship between the hedged item and the hedging instrument and whether changes in the cash flows of the hedged item and the hedging instrument will offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit/(loss) of the year.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity. If a hedged forecast transaction leads to the subsequent recognition of a non-financial asset or liability, for example, inventories, the gain or loss accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the asset or liability at recognition. The gain or loss for all other hedged planned transactions is reclassified from the hedging reserve and the costs of hedging reserve to profit/(loss) in the same year or years in which the hedged future cash flows affect profit/(loss) of the year.
If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial asset or liability, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit/(loss) in the same period or periods as the hedged expected future cash flows affect profit/(loss) of the year. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit/(loss) of the year.

Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity. The resulting surplus or deficit on the transaction is recognised under share premium.

Impairment losses

Non-derivative financial instruments and contract assets

The Company recognises bad debts provisions for ECLs on:

- financial assets measured at amortised cost;
- debt investments at FVOCI;
- contract assets.

The Company measures the bad debts provision as equal to the lifetime expected credit losses, except for that set out below for the 12-month expected credit losses:

- debt instruments with a low credit risk at the reporting date; and
- other debit securities and bank current accounts with a credit risk (i.e., the default risk expected over the financial instrument's term) that has not increased significantly since initial recognition.

The bad debts provision for trade receivables and contract assets is always measured considering their lifetime expected credit losses.
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.
The Company considers reasonable and supportable information that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition to estimate the expected credit losses. This includes quantitative and qualitative information and analyses, based on the Company's historical experience, on credit assessment as well as on information indicative of expected developments ("forward-looking information"). The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a debt or an advance payment by the Company that it would have not otherwise been taken into consideration;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Bad debts provisions for financial assets measured at amortised cost are deducted from the carrying amount of the assets. For debt securities at FVOCI, the bad debts provision is charged to profit/(loss) of the year and is recognised in other comprehensive income.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing-off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Impaired non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the Company estimated the asset's recoverable amount. The recoverable value of goodwill is, on the other hand, estimated annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit/(loss) of the year. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised when, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation.
The discount rate used to calculate the present value of the liability reflects assessments of the time value of money and the risks specific to the liability. Changes in estimates are recognised in the income statement in the year the change takes place. The disclosure required by IAS 37 - Provisions, contingent assets and contingent liabilities is not provided for some disputes in order not to jeopardise the Company's position vis-à-vis these disputes or negotiations.
Risks for which a liability is solely possible are disclosed in the section of the notes on commitments and risks and no provision is made.
With respect to contract assets and liabilities, if the business plan is revised during the contract term and the contract becomes onerous, the portion of the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it is recognised in full in the period in which they are expected to be incurred and provided for in a "Provision for onerous contracts" under current liabilities. The reversal of these provisions is recognised as absorption within "Other operating revenues".

Leases

Determining whether an arrangement contains a lease

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If, in the case of a financial lease, the Company decides that it is not feasible to accurately divide the instalments, then an asset and liability are recognised in an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and a finance cost on the liability is recognised using the Company's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Payments relating to operating leases are recognised as a cost on a straight-line basis over the lease term. The incentives granted to the lessee are recognised as an integral part of the total cost of the lease over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. Interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating result

The operating result is determined by the Company's operating activities that generate ongoing revenues and by other income and costs related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting standards and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair values are allocated to different hierarchical levels on the basis of the input data used in the valuation techniques, as illustrated below.

- Level 1: when available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: in the absence of a quoted price in an active market, inputs are used that are observable for the asset or liability, either directly (prices) or indirectly (price derivatives).
- Level 3: in the absence of data in Levels 1 and 2, input data related to the asset or liability that is not based on observable market data is used.

The Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the entire valuation is placed in the same level of the hierarchy as the lowest level input that is significant to the entire valuation.

The Company records the transfers between the different levels of the fair value hierarchy at the end for the year in which the transfer has taken place. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit/(loss) of the year on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

40. New accounting standards, amendments and interpretations

IFRS accounting standards, amendments and interpretations issued by the IASB (International Accounting Standard Board), not yet obligatorily applicable and not adopted by the Company in advance as at 31 December 2021

Amendment to IFRS 3

The IASB issued amendments to IFRS 3 to update it with respect to the amendments relating to the "Conceptual for Financial Reporting" without changing the accounting requirements for business combinations. The amendments will enter into force on 1 January 2022.
The Company does not expect significant impacts from the adoption of this amendment.

Amendment to IAS 16

The amendment does not allow the deduction from the cost of the tangible asset of the amount of the sale of goods produced before the asset was ready for use (asset test phase). Revenues and related costs will be recognised in the income statement. The amendment will enter into force on 1 January 2022.
The Company does not expect significant impacts from the adoption of this amendment.

Amendment to IAS 37

The amendments are intended to specify which costs the company must include for the performance of a contract when assessing whether a contract is onerous. The amendment will enter into force on 1 January 2022.
The Company does not expect any significant impacts from the adoption of this amendment.

Amendments resulting from Annual improvements to IFRSs 2018 – 2020

The improvements amend four standards:

- IFRS 1 - Presentation of Financial Statements, allowing subsidiaries that adopt the international accounting standards after the parent company to cumulatively measure the translation differences using the amounts reported by the parent company, based on the date of transition of the parent company to IFRS;
- IFRS 9 - Financial Instruments, clarifying which commissions an entity must include when applying the "10 percent" test for the settlement of a financial liability;
- IAS 41 - Agriculture, removing the requirement of IAS 41:22 that allows to remove the cash flows due to taxation in the measurement of a biological asset. This makes IAS 41 consistent with IFRS 13 - Fair Value Measurement;
- IFRS 16 - Leasing by removing 13 from illustrative example in order not to create confusion regarding the treatment of lease incentives.

The amendments will enter into force on 1 January 2022.
The Company does not expect significant impacts from the adoption of these improvements.

Amendments to IFRS 17

The purpose of the amendment is to make it easier for companies to apply the standard and to correctly represent financial performance. In particular, the amendments should reduce costs by simplifying some requirements of the standard and make it easier to explain financial services. The postponement of the application of the new standard to 2023 will facilitate the transition for companies.
The Company does not expect significant impacts from the adoption of these amendments.

IFRS accounting standards, amendments and interpretations issued by the IASB (International Accounting Standards Board), for which the competent bodies of the €pean Union have not yet completed the approval process necessary for their adoption

Amendments to IAS 1 – Classification of liabilities as Current or Non-current

The purpose of the amendment to the standard is to clarify how to establish whether a debt or another liability with an uncertain date, in the statement of financial position, should be classified as short-term or long-term liability. In the clarifications introduced by the amendment, it is stated that a liability that recognizes the right to defer settlement for at least 12 months after the end of the reference year cannot be classified as current. It is stated that a liability must be considered "non-current" if the entity is expected to extinguish the debt within 12 months of the reference year. The amendments will come into force on 1 January 2023.
The Company does not expect a material effect in the financial statements from the adoption of these amendments.

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

The change relates to the accounting standards disclosure requirements from "significant accounting standards" to "significant accounting standards disclosures." The amendments provide guidance on when accounting policy disclosures are likely to be considered material. These amendments are effective for fiscal years beginning 1 January 2023, early application is permitted. The Group does not expect significant impacts from the adoption of this amendment.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB with these amendments added the definition of accounting estimates in IAS 8.
The amendments also clarified that the effects of a change in an input or valuation technique are changes in accounting estimates unless they result from the correction of prior period errors. The amendments are effective for years starting on or after 1 January 2023.
The Company does not expect significant impacts from the adoption of these amendments.

Amendment to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment clarifies how deferred taxes are to be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The amendments will apply from 1 January 2023. However, earlier application is permitted.
The Company does not expect significant impacts from the adoption of these amendments.

Amendment to IAS 17 – Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17 and is intended to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and thus improve the usefulness of comparative information for readers of financial statements.

The amendments will apply from 1 January 2023, in conjunction with the application of IFRS 17.

The Company does not expect impacts from the adoption of these amendments.

proposed approval of the financial statements and allocation of the result for the year

The Board of Directors submits for approval the financial statements as at 31 December 2021 and proposes that the Shareholders' Meeting approve:

a) the Separate Financial Statements of Sanlorenzo S.p.A., which show a net profit for the year equal to €44,378,158;
b) a proposal to allocate the net profit for the year as follows:
   - to legal reserve for €2,218,908;
   - to the Shareholders as dividend in the amount of €0.60 for each of the shares in circulation on the ex dividend date, excluding treasury shares held at that date;
   - to the extraordinary reserve, the residual profit.
c) to reduce the restriction on the extraordinary reserve to the maximum amount of €7,850,000, pursuant to Article 110, paragraph 8, of the Italian Law Decree no. 104 of 14 August 2020, converted with amendments by the Italian Law no. 126 of 13 October 2020.

Ameglia, 10 March 2022

On behalf of the Board of Directors
Chairman and Chief Executive Officer
Mr. Massimo Perotti

certification pursuant to article 154-bis

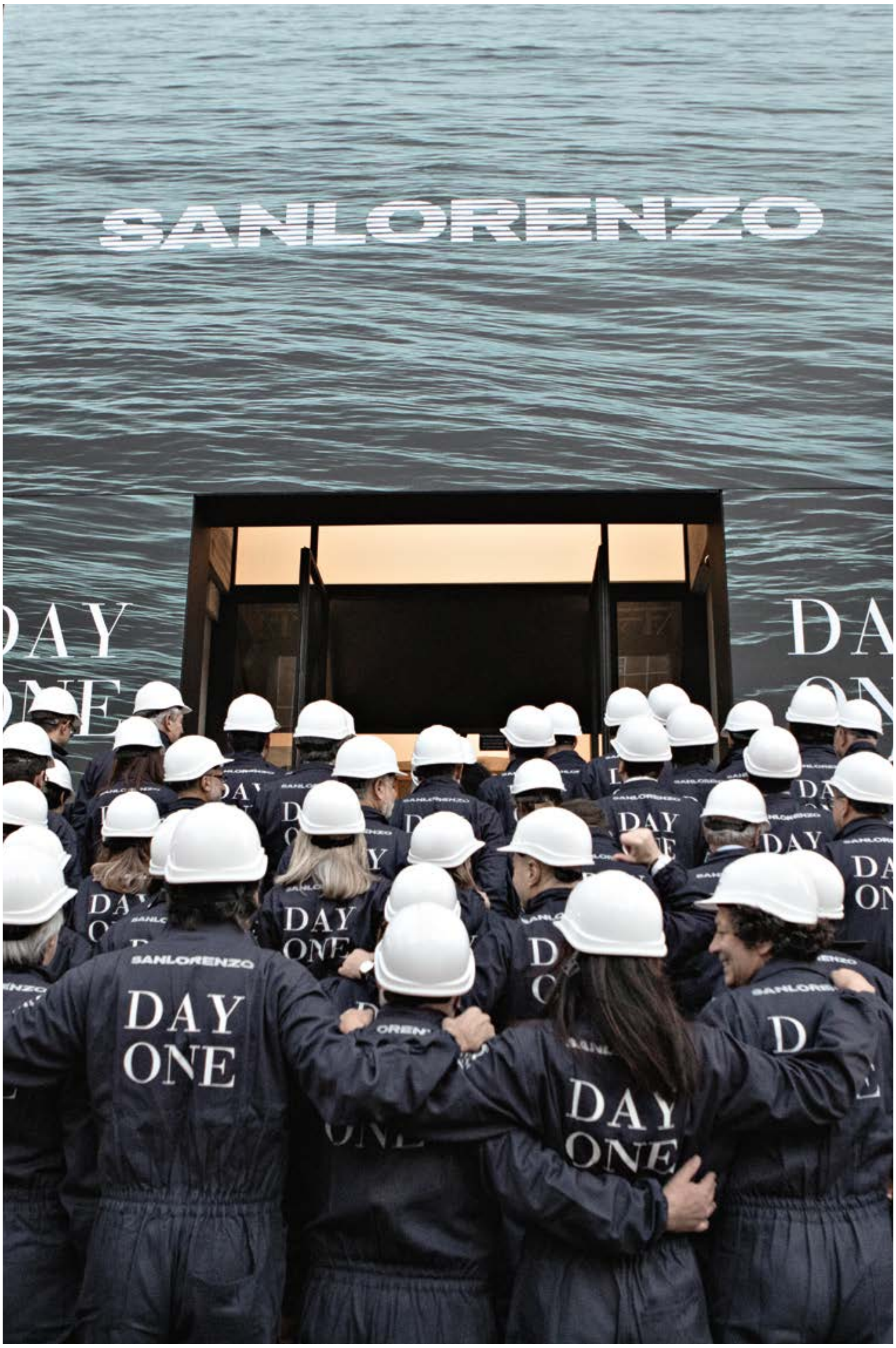
Certification Pursuant to Article 154-Bis of Legislative Decree No. 58 of 24 February 1998 and Article 81-Ter of Consob Regulation No. 11971 of 14 May 1998

1. The undersigned, Massimo Perotti, in his capacity as the Chairman and Chief Executive Officer of the Board of Directors and Attilio Bruzzese, in his capacity as the Manager charged with preparing the company's financial reports of Sanlorenzo S.p.A., confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in terms of the characteristics of the Company and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements for 2021.
2. From the application of the administrative and accounting procedures for the preparation of the separate financial statements as at 31 December 2021, no significant facts need to be reported.
3. It is hereby also stated that:
   3.1 the separate financial statements:
      a) have been prepared in compliance with the international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
      b) correspond to the accounting books and records;
      c) provide a true and fair view of the issuer's financial position, results and cash flows.
   3.2 The report on operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Ameglia, 10 March 2022

Cav. Massimo Perotti
Chairman and Chief Executive Officer

Attilio Bruzzese
Manager charged with preparing the company's financial reports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REPORT FROM THE INDEPENDENT AUDITING FIRM

Sanlorenzo S.p.A.

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

Consolidated financial statements at 31 December 2021

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

BDO

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Via Roma 5/1
16121 Genova

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

To the Shareholders of
Sanlorenzo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sanlorenzo Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2021, the Consolidated statement of profit and loss and other comprehensive income, the Consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree n. 38/05.

Basis for opinion

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

We are independent of Sanlorenzo 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.

Key audit matters

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

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BDO Italia S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

Key audit matter	Audit response
Contract assets and liabilities We refer to notes n. 19 "Contract assets and liabilities" The Sanlorenzo Group recorded in the consolidated financial statements as of 31 December 2021 assets for contract amounting to Euro 117.194 thousand (equal to 19,70% of total assets and Contract liabilities amounting to Euro 102.948 thousand (equal to 17,30% of total equity and liabilities). Assets for construction refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalized with the customer. They are recognized as assets net of the related contract liabilities when, based on a case by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognized as a contract liability The forecast of total costs requires a high level of management judgement and an error in this stage could lead to a wrong valuation of the construction contracts (and consequently of operating revenue) that could be significant. The correct measurement of the stage of completion of the construction contracts and of the possible related liabilities represents a key audit matter due to the magnitude of the amounts involved and due to the high level of management judgement.	Our main audit procedures performed in response to the key audit matter regarding contract assets and liabilities included the following: ▪ We performed an understanding and evaluation of the internal control system with reference to the construction contracts. ▪ For each construction contract we obtained and examined the contract (and their amendments and modifications agreed with the client, if any) and verified that the total revenues were in accordance with the contracts. ▪ For each construction contract we performed comparative analysis by comparing the budget of the full life costs with the one for sister vessels and with the budgets obtained in past years, in order to verify significant fluctuations. ▪ We had discussions with the Project Managers and with the management control team in order to understand main fluctuations and evaluate the reasonableness of the budgets and their updates. ▪ We analyzed and verified the process of attribution of the costs incurred to the related construction contract and we checked the balance between general accounting and industrial accounting for a sample of. ▪ We performed substantive procedures in order to test the correct attribution of the costs to the related construction contract. ▪ We verified the percentage of completion computed by comparing the costs incurred at the reporting date with the estimated full life costs, for a sample of. ▪ We performed substantive procedures on the closing of the accounting for the constructions delivered during the financial year. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Key audit matter	Audit response
Recoverability of goodwill We refer to notes n.14 "Goodwill" and n. 16 "Impairment Test" The carrying amount of goodwill reported in the consolidated financial statements at 31 December 2021 is Euro 8.667 thousand (equal to the 1,46% on total assets) is relating to the deficit merger by incorporation, which took place in 2008, in Sanlorenzo S.p.A., of the ex-parent company Happy Fly S.r.l together with its subsidiary FlyOpen S.p.A. For the purpose of the impairment test, a Cash Generating Unit ("CGU") has been identified represented by the total operating assets of the Sanlorenzo Group as a whole. As it was not possible to measure the fair value of the assets being tested for impairment as at 31 December 2019, management estimated their recoverable amount considering value in use, calculated by discounting the 2022-2024 estimated operating cash flows obtained from the financial projections included in Piano 2022-2024. This item was considered significant for the audit given its magnitude as well as the subjectivity and complexity inherent to the evaluation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the strategic plan, the discount rates, discounting and future growth used and additional parameters characterized by subjectivity.	Our main audit procedures performed in response to the key audit matter regarding the recoverability of goodwill included the following: ▪ We understood and evaluated the methodology adopted by management to perform the impairment test on the Cash Generating Unit. ▪ We examined the projections included in the Strategic Plan 2022-2024 and we had discussions with management in order to understand and critically analyse the assumptions used by them. ▪ We verified the accuracy of the impairment test model used by management through an independent re-computation and by comparing the results obtained. ▪ We recomputed the discount rates used by management for the CGU and the growth rate with the support of experts from the BDO network. ▪ We performed sensitivity analysis in order to evaluate if changes in the discount and growth rates could lead to an impairment. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Responsibilities of the Directors and Those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005 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 Sanlorenzo S.p.A. 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

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

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

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

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

The Shareholders of Sanlorenzo S.p.A., in the general meeting held on 23 November 2019, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending 31 December 2019 to 31 December 2027.

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

We confirm that the opinion on the consolidated financial statements of Sanlorenzo S.p.A. included in this audit report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Reports on other legal and regulatory requirements

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

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

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

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

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

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

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements of Sanlorenzo Group as at 31 December 2021 and on their comply with the applicable laws and regulations.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Sanlorenzo Group as at 31 December 2021 and comply with applicable laws and regulations.

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

Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree no. 254, of December 30, 2016

The Directors of Sanlorenzo S.p.A. are responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree no.254, of December 30,2016. We have checked that the Directors had approved the consolidated non-financial statement. According to article 3, paragraph 10, of Legislative Decree n.254, of December 30,2016 we attested the compliance of the consolidated non-financial statement separately.

Genoa, 28 March 2022

Signed by

BDO Italia S.p.A.

Paolo Maloberti
Partner

Sanlorenzo S.p.A.

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

Financial statements at 31 December 2021

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

BDO

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

To the shareholders of
Sanlorenzo S.p.A.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sanlorenzo S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2021, the statement of profit and loss and other 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 at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Basis for opinion

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

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

Key audit matters

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

Key audit matter	Audit response
Contract assets and liabilities We refer to note no.18 *Contract assets and liabilities.* Sanlorenzo S.p.A. recorded in its financial statements at 31 December 2021 assets for construction contracts amounting to Euro 111.750 thousand (equal to 19,58% on total assets) and liabilities for construction contracts amounting to Euro 103.167 thousand (equal to 18,08% on total liabilities and net equity). Assets for construction contracts refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalised with the customer. They are recognised as assets net of the related contract liabilities when, based on a case-by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognised as a contract liability. The forecast of total costs requires a high level of management judgement and an error in this stage could lead to a wrong valuation of the construction contracts (and consequently of operating revenue) that could be significant. The correct measurement of the stage of completion of the construction contracts and of the possible related liabilities represents a key audit matter due to the magnitude of the amounts involved and due to the high level of management judgement.	Our main audit procedures performed in response to the key audit matter regarding contract assets and liabilities included the following: ▪ We performed an understanding and evaluation of the internal control system with reference to the construction contracts. ▪ For each construction contract we obtained and examined the contract (and their amendments and modifications agreed with the client, if any) and verified that the total revenues were in accordance with the contracts. ▪ For each construction contract we performed comparative analysis by comparing the budget of the full life costs with the one for sister vessels and with the budgets obtained in past years, in order to verify significant fluctuations. ▪ We had discussions with the Project Managers and with the management control team in order to understand main fluctuations and evaluate the reasonableness of the budgets and their updates. ▪ We analysed and verified the process of attribution of the costs incurred to the related construction contract and we checked the balance between general accounting and industrial accounting for a sample of. ▪ We performed substantive procedures in order to test the correct attribution of the costs to the related construction contract. ▪ We verified the percentage of completion computed by comparing the costs incurred at the reporting date with the estimated full life costs, for a sample of. ▪ We performed substantive procedures on the closing of the accounting for the constructions delivered during the financial year. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Key audit matter	Audit response
Recoverability of goodwill We refer to note no.13 “goodwill” and note no.15 “impairment test” The carrying amount of goodwill reported in the financial statements at 31 December 2021 is Euro 8.667 thousand (equal to the 1.52% on total assets) is relating to the deficit merger by incorporation, which took place in 2008, in Sanlorenzo S.p.A., of the ex-parent company Happy Fly S.r.l together with its subsidiary FlyOpen S.p.A.. For the purpose of the impairment test, a Cash Generating Unit (“CGU”) has been identified represented by the total operating assets of the Sanlorenzo as a whole. As it was not possible to measure the fair value of the assets being tested for impairment as at 31 December 2021, management estimated their recoverable amount considering value in use, calculated by discounting the 2022-2024 estimated operating cash flows obtained from the financial projections included in Piano 2022-2024. This item was considered significant for the audit given its magnitude as well as the subjectivity and complexity inherent to the evaluation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the strategic plan, the discount rates, discounting and future growth used and additional parameters characterized by subjectivity.	Our main audit procedures performed in response to the key audit matter regarding the recoverability of goodwill included the following: ▪ We understood and evaluated the methodology adopted by management to perform the impairment test on the Cash Generating Unit. ▪ We examined the projections included in the Strategic Plan 2022-2024 and we had discussions with management in order to understand and critically analyse the assumptions used by them. ▪ We verified the accuracy of the impairment test model used by management through an independent re-computation and by comparing the results obtained. ▪ We recomputed the discount rates used by management for the CGU and the growth rate with the support of experts from the BDO network. ▪ We performed sensitivity analysis in order to evaluate if changes in the discount and growth rates could lead to an impairment. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Responsibilities of the 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, as well as the regulation issued for implement article 9 of Legislative Decree n. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of 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.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we 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 have described those matters in the auditor’s report.

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

The Shareholders of Leonardo S.p.A., in the general meeting held on 23 November 2019, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending 31 December 2019 to 31 December 2027.

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

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Reports on other legal and regulatory requirements

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

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

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

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

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

The Directors of Sanlorenzo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Sanlorenzo S.p.A. as at 31 December 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

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

In our opinion, the report on operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Sanlorenzo S.p.A. as at 31 December 2021 and comply with applicable laws and regulations.

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

Genoa, 28 March 2022

BDO Italia S.p.A.
Signed by

Paolo Maloberti
Partner

VI

REPORT FROM THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting called to approve the Financial Statements as at 31 December 2021 pursuant to Article 153 of Italian Legislative Decree 58/1998

Dear Shareholders,

in compliance with the provisions of Article 153 of Italian Legislative Decree of 24 February 1998, no. 58 (the Italian Consolidated Law on Finance or "TUF"), Article 2429 paragraph 2 of the Italian Civil Code, the guidelines contained in Consob communication no. 1025564 of 6 April 2001 and subsequent amendments and supplements, the Corporate Governance Code and the Consob provisions on corporate controls, as well as taking into account the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili ("CNDCEC") - National Institute of Chartered Accountants, the Board of Statutory Auditors of Sanlorenzo S.p.A. (the "Company") provides information to you in this Report on the monitoring activities carried out in 2021.

Summary of the Board of Statutory Auditors' activities

The Board of Statutory Auditors, in compliance with Article 149 of the TUF and Article 2403 of the Italian Civil Code, organised its activities in order to monitor:

- observance of the law and the By-laws;
- respect for the principles of proper administration;
- the adequacy of the organisational structure;
- the adequacy of the internal control system;
- the reliability of the administrative-accounting system in correctly representing management events;
- the methods of practical application of the Code of Corporate Governance, which the Company declared its compliance with and, in particular, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, as well as the members of the undersigned Board of Statutory Auditors;
- the cohesiveness of the provisions issued to the Group companies for the purposes of fulfilling the communication obligations set forth by law (pursuant to Article 114, paragraph 2, of the TUF);
- transactions with related parties and intercompany transactions;
- the correct fulfilment of the obligations in relation to the market abuse regulations, as well as regarding corporate disclosure and protection of savings.

During the year ended on 31 December 2021, the Board of Statutory Auditor held a total of eleven meetings, drafting minutes for them which detailed the control and supervisory activities carried out. The Board of Statutory Auditors also attended the meetings of the Board of Directors and the

Committees set up within the Board of Directors, as well as the Shareholders' Meetings, for a total of 43 meetings relating to the activities of the board organized in any case and to a Shareholders' Meeting, in addition to the numerous informal meetings held with all the other governance bodies.

The Board of Statutory Auditors, that drafts this report, declares that all its members respect the regulatory provisions issued by Consob in relation to the maximum number of offices and, in this regard, has indicated the relevant engagements fulfilled for this purpose, in the Company's Report on Corporate Governance and Ownership Structures, drafted in accordance with Article 123-bis of the TUF, made available on the Company's website.

Significant events during the year

The most significant economic, financial and equity transactions carried out by the Company are outlined in detail in the Report on Operations; in particular, these include the following:

Medium/long-term loan with Intesa Sanpaolo

On 30 June 2021, Sanlorenzo signed a loan agreement with Intesa Sanpaolo S.p.A. for €20 million from the circular economy ceiling that Intesa Sanpaolo has set aside for projects that meet specific criteria of respect for the environment and reduction in consumption.

The loan, with a duration of 5 years, shall support investments by Sanlorenzo to develop and introduce innovations and cutting-edge technologies in the yachting sector, strongly inspired by sustainability principles.

Acquisition of Viareggio Superyachts business unit

On 8 July 2021, PN VSY S.r.l., a wholly-owned subsidiary of Sanlorenzo S.p.A., completed the acquisition of the Viareggio Superyachts S.r.l. business unit in liquidation, including a building located in Viareggio near the Sanlorenzo shipyards, as well as plants and equipment, for a value of approximately €4.8 million (net of transaction costs). The building, with a production area of approximately 3,000 square metres, is used for the fitting out of metal superyachts, notably of the new X-Space line.

Partnership with Siemens Energy for the development of technological solutions to reduce the environmental impact of the yachts

On 6 September 2021, Sanlorenzo announced the signing with Siemens Energy of an exclusive partnership for the joint development of solutions for the integration of fuel cell technology in the yachting sector from 24 to 80 metres and two contracts for the development and the purchase of new generation diesel electric and hybrid systems.

The agreement will enable the creation of new technologies aimed at significantly reducing the impact of yacht usage on the marine ecosystem and will develop on three areas:

- methanol fuel cell systems for generating electricity on board, which allow the vessel to generate electricity when the engines and generators are off, significantly extending the time spent at anchor and manoeuvring without consuming diesel fuel. The first prototype will be installed on a 50 metres Sanlorenzo hybrid superyacht currently in advanced design, whose delivery is expected in 2024;

- new-generation diesel electric propulsion systems aimed at reducing GHG emissions and fuel consumption, with a significant evolution in terms of energy efficiency and reduction of overall dimensions, intended for application on yacht models over 50 metres. The first signed order covers the application on three Sanlorenzo units from 50 to 70 metres;
- new-generation hybrid propulsion systems designed to reduce GHG emissions and fuel consumption, with a significant optimisation in terms of size, costs and ease of use, intended for use on yachts below 50 metres. The first order signed is for application on the new SD90S model.

Acquisition of a facility in La Spezia

On 22 July 2021, Sanlorenzo was the winner of an auction for a property complex of approximately 7,000 square metres located in La Spezia adjacent to the Company's shipyards, to be used as a warehouse due to the increased production needs of the Superyacht Division. The purchase and payment of the price, equal to approximately €1.5 million (net of transaction costs), were completed on 17 September 2021.

Partnership with Crédit Agricole Leasing Italia for the lease purchase of yachts

On 20 September 2021, Sanlorenzo and Crédit Agricole Leasing Italia announced the terms of an important partnership thanks to which Sanlorenzo will indicate Crédit Agricole Leasing Italia as partner for the lease purchase of yachts and superyachts to its European clients, providing them a tailor-made service and dedicated conditions. This partnership is part of the strengthening of the offer of "High-End Services", the division created in 2020, entirely focused on the proposal of an exclusive range of 360° services intended only for Sanlorenzo customers: customised leasing/financing, Sanlorenzo Charter Fleet, Sanlorenzo Timeless (refit and restyling service) and crew training at the Sanlorenzo Academy.

Acquisition of a facility in Massa

On 17 May 2021, in the context of an arrangement with creditors, Sanlorenzo was the winner of an auction for the acquisition of an industrial facility located in Massa, near the Company's shipyards, consisting of two warehouses for a total area of approximately 15,000 square metres, an office building and outdoor areas for around 11,000 square metres, at a total price of around €11.6 million (net of transaction costs). The facility, whose purchase was completed on 30 September 2021, will be used for the production of semi-finished composite products in the first months of 2022, following certain revamping works.

Auctions for the acquisition of Perini Navi assets

On 15 February 2021, Ferretti Group and Sanlorenzo announced their intention to create a NewCo based on a 50:50 joint venture, in order to present an offer for the acquisition of Perini Navi, declared bankrupt by the Court of Lucca on 29 January 2021. The company – Restart S.p.A. – was set up on 28 April 2021 to participate in the auction for the sale of certain assets of Perini Navi, convened following the confirmation on 30 April 2021 of the company's bankruptcy by the Florence Court of Appeal and the subsequent awarding of the shipyard in Turkey.

The first auction, held on 30 July 2021, concerning the two shipyards in Viareggio and La Spezia, the Perini brand, a yacht under construction and other assets, had a total starting price of €62.5 million. The second auction, held on 30 September 2021, had a total starting price of €56.25 million, with the possibility to submit bids with a 5% reduction of the starting price.

Based on the results of the assessments carried out, while reconfirming the interest in Perini Navi, Ferretti Group and Sanlorenzo decided not to take part in these auctions, for which no bids were submitted.

On 26 October 2021, Ferretti Group and Sanlorenzo, through Restart S.p.A., presented an irrevocable proposal to the official receiver of the Court of Lucca for the purchase of the entire corporate complex of Perini Navi.

Following the submission of the offer, a third auction was called on 2 November 2021 with a starting price of €47 million. The examination of the offers and the tender were held on 22 December 2021 and the assets were awarded to a third bidder for a total price of €80 million.

Emergenza sanitaria legata al COVID-19

The Board of Statutory Auditors, in relation to the ongoing health emergency determined by the Covid-19 pandemic, was constantly informed by the Company's competent functions, of the evaluations conducted regarding the evolution of events and the reference regulatory framework, as well as the actions taken to protect workers' health.

With regard to the above, the Board of Statutory Auditors does not have any observations to present to the Shareholders' Meeting.

Significant events after year-end

Conflict between Russia and Ukraine

In view of the conflict between Russia and Ukraine, the Company has disclosed that the backlog amount as at 28 February 2022 includes exposure to Russian national customers on three superyacht sales contracts, accounting for 7.7% of the total spread over three years, stating that to date no order has been cancelled.

The Group constantly monitors the situation and updates on the international sanctions, in line with the rigorous Know Your Customer procedures and Sanctions Compliance Program adopted by all Group companies.

Moreover, the Group has no suppliers located in the area affected by the conflict.

Observance of the law and the By-laws

Participation in the meetings of the Board of Directors and the relevant Committees, the information gathered and the controls carried out for the purpose, enabled the Board of Statutory Auditors to ascertain that your Company operates in observance of the laws, the regulations and the Company By-laws.

In particular, the rules that govern the operation of the corporate bodies, the Company's activities as well as the recommendations of the institutional bodies are subject to constant monitoring by the officers in charge who, in possession of adequate professionalism for the different specialisations, correctly apply them by making use, if necessary, also of the opinions of expert professionals in the individual disciplines.

Respect for the principles of proper administration

Company activities are constantly monitored and are targeted at preserving and safeguarding company assets as well as creating value. At the Board of Directors, the following are, among other things, carefully analysed and subject to in-depth debate:

- the operating performance;
- the periodic economic and financial results and the provisional data;
- the most significant transactions and any proposed investments, acquisitions and disinvestments, by evaluating their risks, by conducting in-depth analyses of the competitive scenarios, reference markets, cost effectiveness, the impact of the transactions on the Group, as well as their consistency and compatibility with the available resources;
- any related party transactions in line with the procedure adopted by the Company;
- the most significant transactions of the subsidiaries, the economic performance and the equity structure of said subsidiaries, taking into account the particular situations of the reference markets in which they operate.

The Board of Statutory Auditors is not aware of any transactions that are manifestly imprudent, hazardous or not in keeping with the board resolutions and the interests of the Company and the Shareholders.

The resolutions of the Board of Directors are executed by the top management and by the administrative, sales and productive structure based on compliance criteria.

From an operating perspective, the Board of Statutory Auditors has gathered the information, requested the necessary material, encouraged meetings with the Manager charged with preparing the Company's financial reports, the heads of management control, with the Internal Audit Function and with the Board of Directors' Secretary.

It regularly engaged in dialogue with BDO Italia S.p.A., the company tasked with conducting the independent audit and the limited audit of the consolidated non-financial statement pursuant to Italian Legislative Decree 254/2016.

It constantly exchanged information with the Supervisory Body pursuant to Italian Legislative Decree 231/2001 on the effectiveness, observance and the update of the Organisation, Management and Control Model for the purposes of Italian Legislative Decree 231/2001.

Hence, it was able to acquire knowledge of the effectiveness and efficiency of the operating activities and of the reliability and continuity of the controls that guarantee the promptness of any corrective actions.

Adequacy of the organisational structure

The Board of Statutory Auditors examined the organisational charts, the levels of responsibility, the delegations of power and flow of directives, evaluating the organisation's capacity, as a whole, to exercise adequate strategic-operational direction and carry out the necessary controls on the technical, technological, sales and administrative-accounting operations of the entire Group. A review of the powers granted allowed the Board of Statutory Auditors to issue a positive judgement on their clarity and rationale.

The Board of Statutory Auditors was able to ascertain that the offices in charge promptly and reliably acquire the necessary information also from the subsidiaries and that they respond with adequate and effective actions. The procedures used for the purposes and the directives issued, relating to economic-management control, are sufficient to adequately carry out said activity.

Adequacy of the internal control system

The Report on Corporate Governance and Ownership Structures and the Annual Financial Report relating to 2021 describe the main characteristics of the internal control and risk management system. The internal control and risk management system ("ICRMS") is composed of rules, procedures and corporate structures that operate to allow the effective functioning of the Company and of the Group in order to identify, manage and monitor the main risks to which they are exposed. The ICRMS is an integrated system that involves the entire organisational structure; in order to guarantee a consistent approach at Group level, the Company defines the Group directives on the governance system supplemented by the internal control and risk management policies of the Group, which apply to all Companies of the Group.

In said context, the Board of Statutory Auditors supervised the adequacy of the ICRMS implemented by the Company and its Group, verifying its practical functioning. In particular, the Board of Statutory Auditors:

- acknowledged the periodic judgement of the adequacy of ICRMS issued, based on the prior opinion of the Control, Risks and Sustainability Committee, by the Board of Directors;
- examined the periodic report of the Control, Risks and Sustainability Committee issued on a six-monthly basis in support of the Board of Directors;
- took part in all meetings of the Control, Risks and Sustainability Committee, by also acquiring information on the initiatives that the Committee deemed appropriate to promote or request in relation to specific themes;
- verified the autonomy, independence and functionality of the Internal Audit Function, whose responsibility was appropriately assigned during the year to a dedicated and trained internal staff member, as well as implemented and maintained adequate and constant dialogue with said staff member;
- examined the Audit Plan prepared by the Internal Audit Function and approved by the Board of Directors, observed respect for the same and received information flows on the outcomes of the audits;
- acquired knowledge of the activities of the Supervisory Body established by the Company in compliance with the provisions contained in Italian Legislative Decree 231/2001 through

specific disclosures and update meetings regarding the activity carried out by said party;

- obtained information from the managers of the company functions involved in the ICRMS;
- met and exchanged information with the Chairman and Chief Executive Officer, in its role as executive director appointed to supervise the internal control and risk management system, with which he shared his observations regarding the improvement to the controls architecture implemented by the Company.

In light of all of the foregoing, without prejudice to the areas of attention highlighted above and taking into account the evolutionary nature of the ICRMS, the analyses conducted and the information acquired did not bring to light any elements that would lead this Board to believe that the Company's internal control and risk management system is, on the whole, inadequate.

Reliability of the administrative system and the supervisory activities on the financial disclosure process

The Board of Statutory Auditors verified the existence of adequate rules and procedures for the process of collection, formation and dissemination of financial information.

It also acknowledged that the CFO, also in his role as Manager charged with preparing the Company's financial reports, confirmed:

- the adequacy and suitability of the powers and resources conferred to him by the Board of Directors;
- that he had direct access to all the necessary information for the production of accounting data;
- that he participated in the internal information flows for accounting purposes and approved the associated company procedures;
- that the Company's Financial Statements as at 31 December 2021 are drawn up in accordance with IAS/IFRS standards issued by the International Accounting Standards Board (IASB).

The Independent Auditors did not report any observations in the periodic meetings held with the Board of Statutory Auditors as regards the administrative-accounting system, evaluated on the basis of its capacity to correctly represent company events, the prompt updating of corporate accounts, the proper keeping of the books, as well the timely fulfilment of tax and contribution obligations.

Therefore, the Board of Statutory Auditors expresses a judgement of substantial adequacy of the financial disclosure preparation process and does not have any observations to present to the Shareholders' Meeting.

It should be noted that pursuant to Article 4 paragraph 7 of Transparency Directive 2004/109/EC, as amended by Directive 2013/50/EC, that the Annual Financial Report has been drawn up in a single electronic reporting format, whose technical rules are drawn up by ESMA and contained in Regulation 2018/815.

In this regard, the Board of Statutory Auditors has had many discussions and has no comments to present.

Supervision of the non-financial disclosure process

As set out in Article 3, paragraph 7 of Italian Legislative Decree 254/2016, the Board of Statutory

Auditors, as part of the functions attributed to it by law, supervised the observance of the rules that govern the preparation and publication of the Consolidated Non-Financial Statement ("NFS"). In particular, the Board of Statutory Auditors monitored the adequacy of the organisational structures adopted by the Group based on the strategic objectives pursued in the socio-environmental domain and the adequacy of the processes and the structures that oversee, within the Group, the production, reporting, measurement and representation of the non-financial results and information.

To this end, the Board of Statutory Auditors examined the documentation provided by the Company and held various meetings with the management team responsible for the NFS, as well as representatives of the Independent Auditors, who are also responsible for issuing in the appropriate report, the certification of compliance set forth in Article 3, paragraph 10, of Italian Legislative Decree 254/2016.

The Board of Statutory Auditors also spoke with the working group, deepening the issues related to taxonomy and noted the substantial correctness of the procedures adopted.

The Board of Directors approved the NFS on 10 March 2022; it was prepared in compliance with Italian Legislative Decree 254/2016 and by taking into consideration the criteria set out in the International <IR> Framework, issued by the International Integrated Reporting Council ("IIRC").

In drafting the NFS, the Company did not avail itself of the right to omit information concerning imminent developments or transactions being negotiated, pursuant to Article 3, paragraph 8, of Italian Legislative Decree 254/2016.

The Board of Statutory Auditors also acknowledged that the Independent Auditors issued the report pursuant to Article 3, paragraph 10, of Italian Legislative Decree 254/2016 on 30 March 2021. In said report, BDO certified that, based on the work performed, no elements came to its attention that lead it to believe that the NFS has not been drafted, as regards all its significant aspects, in compliance with the requirements of Articles 3 and 4 of Italian Legislative Decree 254/2016 and the reporting standards used by the Company.

The Board of Statutory Auditors, in turn, observes that, as a result of the activities carried out, no elements of non-compliance of the NFS came to its attention with respect to the regulatory provisions that govern its preparation and publication. Therefore, the Board of Statutory Auditors, for matters within its competence, issues a judgement of adequacy of the non-financial disclosure preparation process in line with the socio-environmental strategic objectives.

Monitoring of transactions with related parties – atypical and/or unusual transactions

The Company has employed, from 24 October 2019 and effective from the start of trading, a procedure for transactions with related parties ("Related Parties Procedure"), adopted in compliance with the provisions of Consob Regulation 17221/2010 and subsequent amendments and Article 2391-bis of the Italian Civil Code, also applicable for transactions entered into by subsidiaries. On 4 May 2021, the Board of Directors approved the revision of the Related Parties Procedure to adapt it to the amendments made to the Consob Regulation for transactions with related parties by Consob Resolution no. 21624 of 10 December 2020, whose forecasts entered into force on 1 July 2021.

The Board of Statutory Auditors considers the aforementioned procedure to be compliant with the cited Consob Regulation 17221/2010 and subsequent amendments; during the year, the Board of

Statutory Auditors monitored the relevant observance by the Company.

The 2021 Financial Statements and the Consolidated Financial Statements show the economic-equity effects of the transactions with related parties, as well as describe the relevant transactions.

In 2021, no transactions with related parties classified, pursuant to the Related Parties Procedure, as of greater importance were presented for the attention of the relevant Committee, nor were any urgent transactions entered into with related parties.

The Board of Statutory Auditors deemed the information provided by the Board of Directors in the 2021 Financial Statements to be adequate regarding intercompany transactions and transactions with related parties.

As far as it is aware, no atypical and/or unusual transactions were entered into in 2021, as defined by Consob communication DEM/6064293 of 28 July 2006.

Monitoring pursuant to Italian Legislative Decree 39/2010 - assessment of the independence of the Independent Auditors

The Board of Statutory Auditors points out that, as part of the listing process, the Shareholders' Meeting held on 23 November 2019 assigned the independent audit engagement, pursuant to Article 17 of Italian Legislative Decree 39/2010, for the years 2019-2027, to BDO Italia S.p.A., whose fees are reported in detail in the Explanatory Notes, to which reference should be made.

In said context, the Board of Statutory Auditors monitored the independent audit of the annual and consolidated accounts, the independence of the independent auditors and certifies that the latter, in 2021, did not provide services that qualify as non-auditing services. Within the framework of relations between the control body and the auditor set forth in the third paragraph of Article 150 of the TUF, and in light of the powers of the Board of Statutory Auditors as the internal control and auditing committee, the Board of Statutory Auditors held the appropriate meetings on a regular basis with the Independent Auditors, during which relevant data and information was exchanged for the performance of the respective duties. The Board of Statutory Auditors promoted meetings with the Independent Auditors specifically targeted at acquiring information on the preparation of the financial statements for the year ended as at 31 December 2021.

The Chairman and Chief Executive Officer and the Manager charged with preparing the Company's financial reports issued the certifications required by Article 154-bis of the TUF at the end of both the Company's separate financial statements and the consolidated financial statements as at 31 December 2021.

On 28 March 2022, the Independent Auditors issued the reports pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010 respectively for the separate financial statements and for the consolidated financial statements as at 31 December 2021. These reports show that the financial statements documents were drafted with clarity and provide a true and fair view of the financial position, economic result and cash flows for the year ended as at said date, in compliance with the reference standards and rules.

On the same date, the Independent Auditors also issued the additional report required by Article 11 of EU Regulation 537/14, which did not highlight significant deficiencies in the internal control and risk management system in relation to the financial disclosure process, with the attached declaration pursuant to Article 6 of EU Regulation 537/2014, which did not bring to light any situations that may compromise its independence.

These declarations are sent by the Board of Statutory Auditors to the Board of Directors in an attachment without observations.

The Board of Statutory Auditors monitored, for matters within its competence, the general approach of the separate financial statements and the consolidated financial statements and verified the consistency of the evaluation procedures applied with the international accounting standards; in particular, it should be noted that, in accordance with the indications of the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010, the consistency of the Impairment Test procedure with the provisions of IAS 36 was subject to a formal and autonomous approval by the Board of Directors. The explanatory notes to the financial statements contain the information and the results of the subsequent evaluation process carried out, also with the help of a qualified external expert. As a result of the application of the procedure, based on a prior evaluation of the methodology used by the Control, Risks and Sustainability Committee, the Company did not write-downs.

Compliance with the Code of Corporate Governance, composition of the Board of Directors and remuneration

The Company subscribes to the Code of Corporate Governance, issued by the Corporate Governance Committee promoted by Borsa Italiana S.p.A.

This Board of Statutory Auditors evaluated the methods of practical application of the Code in question, with reference to the application principles and criteria, with no observations to make in this regard.

The Board of Statutory Auditors also acknowledges the following:

- in the first few months of 2022, the Board of Directors carried out a process of self-assessment of the size, composition and functioning of the Board of Directors itself and its Committees; the process, concluded positively, was directed with the coordination of the Lead Independent Director;
- in the first few months of 2022, in line with the recommendations of Regulation Q.1.1. of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies prepared by the CNDCEC, the Board of Statutory Auditors also conducted its self-assessment of the composition and functioning of the Board of Statuory Auditors itself, examining and discussing the relevant outcomes at an appropriate meeting;
- in the first few months of 2022, in line with the recommendations of Regulations Q.1.2 and Q.1.6 of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies prepared by the CNDCEC, the Board of Statutory Auditors has drawn up and produced its own final self-assessment report published on the Company’s website for the benefit of shareholders in view of the renewal of the corporate bodies;
- the Board of Statutory Auditors verified the correct application of the criteria and the process implemented by the Board of Directors to evaluate the independence of directors qualified as "independent"; equally, it ascertained the existence of the requirements of its independence, transmitting the outcome of it to the Board of Directors as required by the Code of Corporate Governance;

- in light of the existing best practices, the Board of Directors carried out its evaluations regarding the satisfaction of the independence requirement based on all the information at the Company's disposal, aimed at acquiring from Directors qualified as independent the precise and accurate information regarding any existence of commercial, financial or professional relations, as well freelance or employment relations or other equity or professional relations, that are relevant for the purposes of the Code of Corporate Governance and the TUF;
- the Board of Statutory Auditors does not have any observations regarding the consistency of the remuneration policy with the recommendations of the Code of Corporate Governance;
- the Board of Statutory Auditors acknowledges compliance of the regulatory provisions governing gender balance.

Provisions issued to the Companies of the Group

The Board of Statutory Auditors ascertained that the Company's organizational functions issue the necessary provisions to the Group companies to provide the public with the information required by Article 114 of the TUF in observance of the conditions pursuant to Article 36 of Consob Resolution 16191/2007 ("Markets Regulation").

Other information

The Board of Statutory Auditors has acknowledged and acknowledges the following:

- during the year ended as at 31 December 2021, the Board of Statutory Auditors did not receive any statements pursuant to Article 2408 of the Italian Civil Code, nor any complaints from third parties;
- during the year ended as at 31 December 2021, the Board of Statutory Auditors provided, where necessary, the opinions and observations required by law; the Board of Statutory Auditors also expressed in all cases requested by the Board of Directors also in compliance with the provisions that, for certain decisions, require the prior consultation of the Board of Statutory Auditors;
- the Board of Statutory Auditors, during the monitoring activities carried out during the year, did not highlight any omissions, censurable events or serious irregularities and, therefore, does not believe it necessary to send reports and proposals to the Shareholders' Meeting pursuant to Article 153 of the TUF.

In reference to all the considerations formulated in this Report, the Board of Statutory Auditors does not identify any impediments to approval of Sanlorenzo S.p.A. Financial Statements for the year ended as at 31 December 2021, as presented to you by the Board of Directors, and expresses a favourable opinion on the proposed allocation of profit for the year.

With the approval of the financial statements as at 31 December 2021, the term of office of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 24 October 2019 expires. Consequently, the Shareholders' Meeting of 28 April 2022 is called to appoint the new Board of Statutory Auditors for the three-year period 2022 - 2024.

On this occasion, we would like to thank the outgoing College for the confidence shown during these years in office.

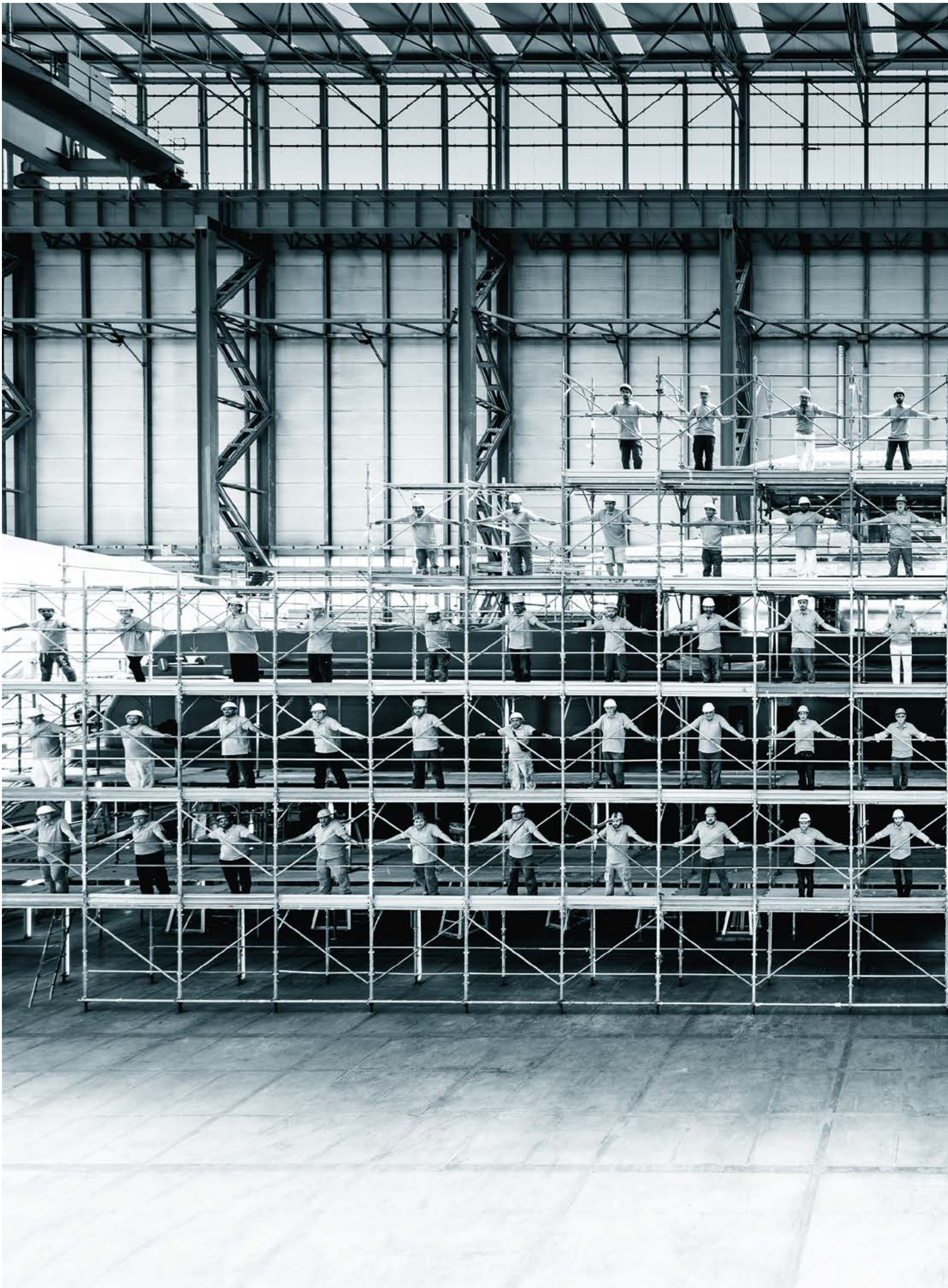
Ameglia, 28 March 2022

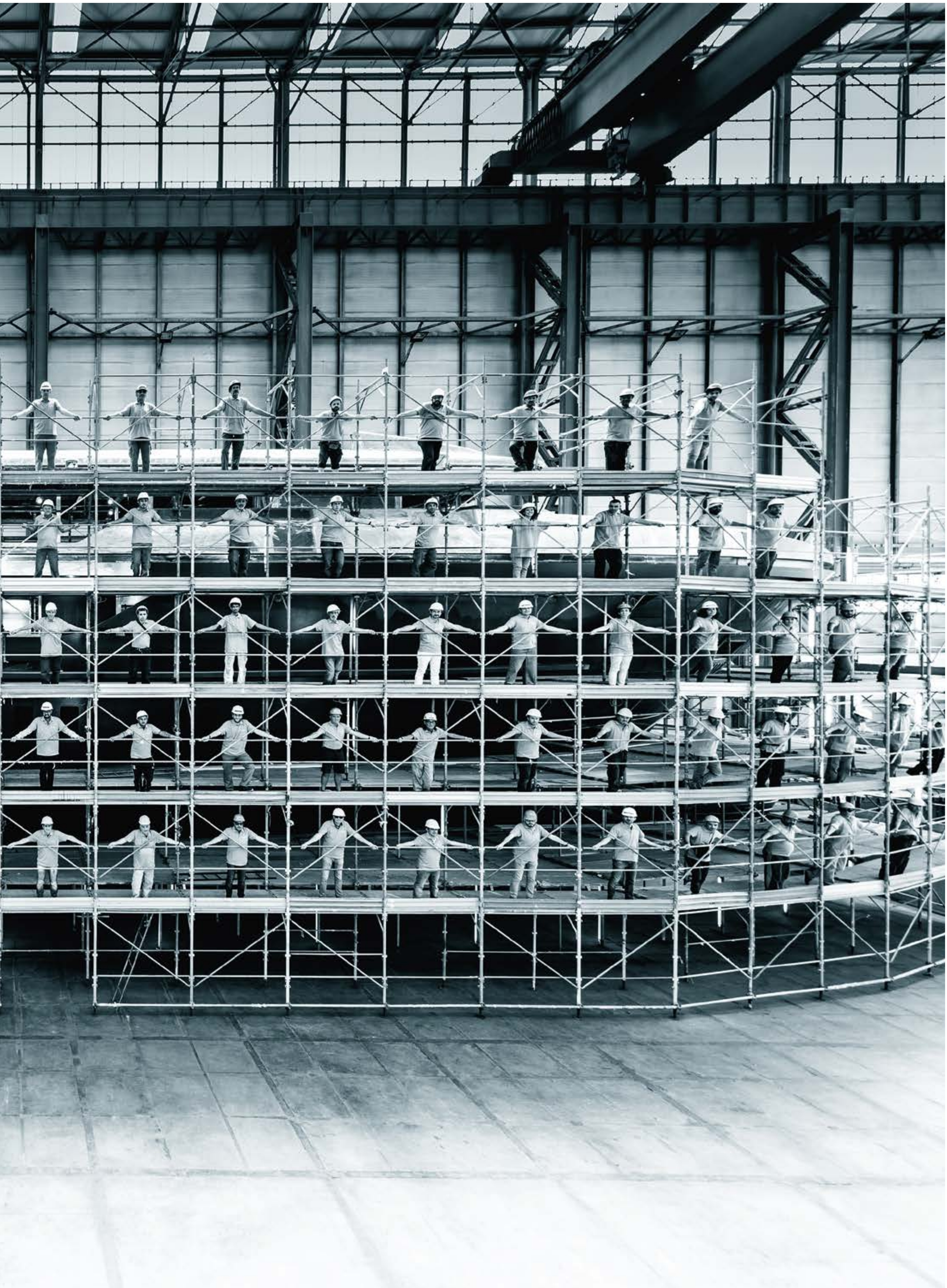
THE BOARD OF STATUTORY AUDITORS

Andrea Caretti, Chairman

Margherita Spaini

Roberto Marrani





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