FERRETTI S.p.A.

FERRETTIGROUP

SEPARATE FINANCIAL STATEMENTS 2021

FINANCIAL STATEMENTS

Independent Auditor's Report

To the Shareholders
of Ferretti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ferretti S.p.A. (the "**Company**") set out on pages 7 to 93, which comprise the statement of financial position as of December 31, 2021, the income statement, the comprehensive income statement, the cash flow statement and the statement of changes in equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 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.

Basis for Opinion

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

Key Audit Matters

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

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

Independent Auditor's Report

Key Audit Matter	Audit Response
Recognition of revenues for the construction of boats For the year ended December 31, 2021 the company reports significant amount of revenue for the construction of boats, whose obligations are fulfilled over time. These revenue are recognized on a percentage of completion basis. The processes and methodologies for measuring such revenue are based on complex calculation algorithms and assumptions that for their nature require judgement on regards the estimate of costs planned at the budgeting stage, relating to contracts, and hence the revenue recognition. More specifically, application of the cost-to-cost method requires the prior estimate of costs throughout the life of individual projects and their updating at each reporting date. Because of the mentioned complexity that characterizes this measurement, we identified this area as a key audit matter. Relevant disclosures are included in note 3 and note 6 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among the others: • the understanding and evaluation of the methodologies used by management; • the test of the process for the determination of the percentage of completion basis; • the understanding and evaluation of the estimation methodologies used by the management through and inquiries with the management; • the assessment of the reasonableness of the criteria used by the management for the determination of cost-to-cost method applied; • the verification of the arithmetic correctness of the calculations performed by the management. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Key Audit Matter	Audit Response
Impairment test	
As of December 31, 2021, the company reports intangible assets of Euro 233.8 million, mostly for trademarks that have an indefinite useful life (Euro 221.4 million). These intangible assets have been allocated to company's Cash Generating Units ("**CGUs**"), corresponding to individual company's trademarks. The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions sometimes complex, that due to their nature require judgement, particularly with reference to the forecasted future cash flows of each CGU, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows. Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the trademarks, we identified this area as a key audit matter. Relevant disclosures are included in note 3 and note 31 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among others: • assessment of the impairment process of intangible assets; • testing the CGUs identification process and the allocation of assets and liabilities to the CGUs; • assessment of the forecasted future cash flows for each CGU as well as the verification of the consistency of future cash flows related to each CGU with the business plans 2021–2025 approved by the Company's board of directors; • assessment of quality of forecasts taking into consideration the historical accuracy of the previous forecast; • assessment of reasonableness of the long-term growth rates and discount rates. Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the CGUs and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Independent Auditor's Report

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2021 separate report but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

EY S.p.A.
Recognised PIE Auditor
Milan

Ernst & Young
Certified Public Accountants
Hong Kong

April 28, 2022

Income Statement

(in thousand Euro)	*Notes*	**31 December 2021**	31 December 2020
Revenue		**841,503**	532,050
Commissions and other costs related to revenue		**(23,771)**	(21,206)
NET REVENUE	6	**817,732**	510,844
Change in inventories of work-in-process, semi-finished and finished goods	7	**(31,950)**	(14,841)
Cost capitalised	8	**27,274**	27,383
Other income	9	**12,638**	13,601
Raw materials and consumables used	10	**(403,175)**	(261,381)
Contractors costs	11	**(134,267)**	(76,723)
Costs for trade shows, events and advertising	12	**(10,679)**	(8,168)
Other service costs	13	**(75,510)**	(51,644)
Rentals and leases	14	**(6,469)**	(4,812)
Personnel costs	15	**(100,897)**	(68,750)
Other operating expenses	16	**(6,349)**	(5,185)
Provisions and impairment	17	**(15,292)**	(15,511)
Depreciation and amortisation	18	**(44,323)**	(33,477)
Share of loss of a joint venture	19	**(24)**	–
Financial income	20	**4,615**	6,391
Financial expenses	21	**(5,813)**	(6,454)
Foreign exchange losses	22	**(2,793)**	(2,448)
PROFIT BEFORE TAX		**24,718**	8,825
Income tax	23	**(1,185)**	17,001
PROFIT FOR THE YEAR		**23,533**	25,826

Comprehensive Income Statement

(in thousand Euro)	*Notes*	**31 December 2021**	31 December 2020
PROFIT FOR THE YEAR		**23,533**	25,826
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Profit on defined benefits plan	42	**155**	103
Income tax effect	42	**(37)**	(25)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**118**	78
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**23,651**	25,904

Statement of Financial Position

(in thousand Euro)	*Notes*	**31 December 2021**	31 December 2020
CURRENT ASSETS			
Cash and cash equivalents	24	**114,223**	18,209
Trade and other receivables	25	**226,252**	204,104
Contract assets	26	**137,455**	155,551
Inventories	27	**133,115**	153,501
Advances on inventories	27	**24,010**	10,327
Other current assets	28	**28,178**	105,943
Income tax recoverable		**907**	1,643
		664,140	649,278
NON-CURRENT ASSETS			
Investments in subsidiaries	29	**13,619**	76,472
Property, plant and equipment	30	**231,832**	149,663
Intangible assets	31	**233,801**	184,380
Other non-current assets	32	**33,891**	31,197
Deferred tax assets	33	**17,423**	12,364
		530,566	454,076
TOTAL ASSETS		**1,194,706**	1,103,354
CURRENT LIABILITIES			
Bank and other borrowings	34	**28,412**	77,353
Provisions	35	**28,403**	34,026
Trade and other payables	36	**389,136**	306,794
Contract liabilities	37	**120,557**	33,800
Income tax payable	38	**721**	—
		567,229	451,973

Statement of Financial Position

(in thousand Euro)	*Notes*	**31 December 2021**	31 December 2020
NON-CURRENT LIABILITIES			
Bank and other borrowings	39	**48,330**	65,231
Provisions	35	**9,383**	6,913
Non-current employee benefits	40	**6,621**	5,532
Trade and other payables	36	**356**	327
		64,690	78,003
TOTAL LIABILITIES		**631,919**	529,976
SHARE CAPITAL AND RESERVES			
Share capital	41	**250,735**	250,735
Reserves	42	**312,052**	322,643
TOTAL EQUITY		**562,787**	573,378
TOTAL LIABILITIES AND EQUITY		**1,194,706**	1,103,354

Cash Flow Statement

(in thousand Euro)	**31 December 2021**	31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	**24,718**	8,825
Depreciation and amortisation	**44,323**	33,478
Provisions	**(5,521)**	(3,960)
Financial income	**(4,615)**	(6,391)
Financial expenses	**5,813**	6,454
Share of loss of a joint venture	**24**	—
Impairment of trade receivables, net	**1,881**	1,696
Provision against inventories, net	**665**	4,036
	67,288	44,138
Decrease/(increase) in inventories	**29,152**	(2,017)
Change in contract assets and contract liabilities	**100,738**	17,306
Decrease/(increase) in trade and other receivables	**6,481**	(734)
Increase/(decrease) in trade and other payables	**17,671**	(12,892)
Change in other operating liabilities and assets	**(8,937)**	424
	212,393	46,225
Income tax paid	**—**	—
Cash flows from operating activities (A)	**212,393**	46,225
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	**(63,585)**	(56,284)
Proceeds from disposal of property, plant and equipment and intangible assets	**2,582**	5,758
Change in investments and loans to subsidiaries	**(1,941)**	4,633
Interest received	**4,615**	6,391
Cash flows used in investing activities (B)	**(58,329)**	(39,502)

Cash Flow Statement

(in thousand Euro)	**31 December 2021**	31 December 2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	**(3,510)**	(6,582)
New bank and other borrowings	**58,730**	130,198
Repayment of bank and other borrowings	**(107,621)**	(136,839)
Merger of subsidiaries	**188**	—
Interest paid	**(5,837)**	(6,454)
Cash flows used in financing activities (C)	**(58,050)**	(19,677)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**96,014**	(12,954)
Cash and cash equivalents at beginning of year (E)	**18,209**	31,163
CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)	**114,223**	18,209
Cash and cash equivalents as stated in the statement of financial position	**114,223**	18,209

Statement of Changes in Equity

(in thousand Euro)	Share capital	Share premium*	Legal reserve*	Other reserves*	Total equity
At 1 January 2020	250,735	281,293	4,354	17,674	554,056
Profit for the year	—	—	—	25,826	25,826
Other comprehensive income for the year:					
Profit on defined benefits plan	—	—	—	78	78
Total comprehensive income for the year	—	—	—	25,904	25,904
Transfer to the legal reserve	—	—	1,465	(1,465)	—
Dividends	—	—	—	(6,582)	(6,582)
At 31 December 2020	250,735	281,293	5,819	35,531	573,378
At 1 January 2021	**250,735**	**281,293**	**5,819**	**35,531**	**573,378**
Profit for the year	**—**	**—**	**—**	**23,533**	**23,533**
Other comprehensive income for the year:					
Profit on defined benefits plan	**—**	**—**	**—**	**118**	**118**
Total comprehensive income for the year	**—**	**—**	**—**	**23,651**	**23,651**
Transfer to the legal reserve	**—**	**—**	**1,291**	**(1,291)**	**—**
Dividends	**—**	**—**	**—**	**(3,510)**	**(3,510)**
Merger of subsidiaries	**—**	**—**	**—**	**(30,732)**	**(30,732)**
At 31 December 2021	**250,735**	**281,293**	**7,110**	**23,649**	**562,787**

* These reserve accounts comprise the reserves of €312,052 thousand (2020: €322,643 thousand) in the statement of financial position.

Explanatory Notes to the Financial Statements

1. CORPORATE INFORMATION

Ferretti S.p.A (the "Company") is a public company limited by shares incorporated in Italy. The registered office of the Company is located at Via Irma Bandiera 62-47841 Cattolica (Rimini), Italy.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in the design, construction and marketing of yachts and recreational boats.

2. BASIS OF PREPARATION

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

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

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

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

3. ACCOUNTING POLICIES

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

Recognition of revenue from contracts assets

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

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

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

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

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

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

— the contract has commercial substance;

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

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

When the outcome of a construction contract can be estimated reliably, contract revenues are recognised based on the revenue amounts accrued consistent with the stage of completion of the contract activity at the reporting date that represents the portion of rewards transferred to the customer. Otherwise, revenues are recognised only to the extent of the contract costs incurred that are likely to be recovered.

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

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

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

Government Grants

Government grants are recognised when there is reasonable assurance that they will be received and all necessary conditions attached to them have been satisfied. Grants related to cost components are recognised as income but are allocated systematically across reporting periods so that they are commensurate with recognition of the costs they are intended to compensate. Grants related to an asset are recognised as income, in constant amounts, throughout the useful life of the asset in question.

Where the Company receives a non-monetary grant, the asset and related grant are recognised at nominal value and released to the income statement, in constant amounts, throughout the expected useful life of the asset in question.

Interest Income and Expense

Interest income and expense are recognized in accordance with the accrual principle, based on the amount financed and the effective applicable interest rate.

3. ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Income taxes are equal to the sum of current taxes and deferred tax assets/liabilities.

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

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

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

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

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

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

Cash and Cash Equivalents

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

3. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables and contract assets

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

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

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

Inventories

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

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

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

Financial Instruments: recognition and measurement

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets

- ***Initial recognition and measurement***

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

- ***Subsequent measurement***

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

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

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

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

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

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

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

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

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

- ***Derecognition***

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

- ***Initial recognition and measurement***

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

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

- ***Subsequent measurement***

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

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

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

(b) Loans and borrowings

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

- ***Derecognition***

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

3. ACCOUNTING POLICIES (CONTINUED)

Offsetting of financial instruments

A financial asset and a financial liability may be set off against one another, and the net balance presented in the Statement of Financial Position, if there is a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Property, Plant, Machinery and Equipment

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment (Continued)

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

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

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

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

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

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

IFRS 16 — Leases

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

Rights-of-use assets

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

3. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 — Leases (Continued)

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

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Intangible Assets Generated Internally — Research and Development Costs

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

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

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

These intangible assets are amortized on a straight-line basis over the length of their useful lives.

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

Other Intangible Assets

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Impairment of Assets

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

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

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

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

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

Equity investments

Affiliated companies

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

Subsidiaries

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

3. ACCOUNTING POLICIES (CONTINUED)

Equity investments (Continued)

Subsidiaries (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

Post-employment Employee Benefits

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

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

Provisions

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and assumptions

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

Impairment of non-financial assets

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

Deferred taxes

Deferred tax assets are recognised to the extent that it is considered probable that there will be sufficient future taxable profit against which they can be utilised. Therefore, management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised based on the amount of future taxable profit, when it will be achieved and tax planning strategies. The Financial Statements include deferred tax assets related to the recognition of prior tax losses and income components with deferred tax deductibility, for an amount which the management considers very likely to be recovered in future years.

Provisions

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

Revenue from contracts with customers for contract assets

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

3. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*

The application of above amendments had no material impacts on the Company's financial statements.

Standards issued but not yet effective

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

Description	**Date of entry into force of the standard (IASB)**
IFRS 17 — *Insurance Contracts*	1 January 2023
Amendments to IAS 1 — *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendment to IFRS 3 — *Business Combinations — References to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 — *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37 — *Onerous Contracts — Costs of Fulfilling a Contract*	1 January 2022
IFRS 1 — *First-time Adoption of International Financial Reporting Standards — Subsidiary as a First-time Adopter*	1 January 2022
IFRS 9 — Financial Instruments — *Fees in the "10 per Cent" Test for Derecognition of Financial Liabilities*	1 January 2022
Amendments to IAS 8 — *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 1 and IFRS — *Practice Statement 2 –Disclosure of Accounting Policies*	1 January 2023
Amendments to IFRS 10 and IAS 28 (2011) — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	No mandatory effective date yet determined but available for adoption
Amendments to IAS 12 — *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 17 — *Insurance Contracts*	1 January 2023
Annual Improvements to IFRSs 2018–2020 — Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	1 January 2022

4. ACCOUNTING STATEMENTS

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

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

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

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

b) it is owned primarily for trading purposes; or

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

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

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

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

5. FINANCIAL RISK MANAGEMENT

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

Fair Value Measurement Hierarchy

IFRS 7 requires that the financial instruments recognised at fair value on the Statement of Financial Position of the Company be classified based on a hierarchical ranking that reflects the reliability of the inputs used to measure fair value. The following levels are used:

— Level 1 — prices quoted in an active market for the assets or liabilities that are being measured;

— Level 2 — inputs other than the quoted prices of Level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market;

— Level 3 — inputs that are not based on observable market data.

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

	31/12/2021				31/12/2020			
Financial statement line item	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Bank and other borrowings — non-current	**—**	**(48,330)**	**—**	**(48,330)**	—	(65,231)	—	(65,231)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Financial statement line item	31/12/2021 Amortised cost	31/12/2021 Total	31/12/2020 Amortised cost	31/12/2020 Total
Cash and cash equivalents	**114,223**	**114,223**	18,209	18,209
Other current assets	**28,178**	**28,178**	105,943	105,943
Financial assets included in trade and other receivables	**198,918**	**198,918**	186,410	186,410
Financial assets included in other non-current assets	**30,817**	**30,817**	30,987	30,987
Total financial assets	**372,136**	**372,136**	341,549	341,549

Financial statement line item	31/12/2021 Amortised cost	31/12/2020 Amortised cost
Bank and other borrowings	**76,742**	142,584
Financial liabilities included in trade and other payables	**302,280**	240,304
Total financial liabilities	**379,022**	382,888

Liquidity Risk

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

The table below, which provides a quantitative analysis of the liquidity risk, shows a breakdown of future financial flows based on the financial liabilities outstanding at 31 December 2021 and at the end of the previous fiscal year, with a breakdown of the Company's financial payables by contractually stipulated due dates:

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

		Future financial flows					
	Balance at 31 December 2020	0 to 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total financial flows
Bank and other borrowings (excluding lease liabilities)	(130,198)	(38,606)	(26,479)	(11,101)	(61,817)	—	(138,003)
Lease liabilities	(12,386)	(960)	(1,601)	(941)	(8,969)	—	(12,471)
Trade and other payables	(240,304)	(125,939)	(39,498)	(30,815)	(44,052)	—	(240,304)
Total	(382,888)	(165,505)	(67,578)	(42,857)	(114,838)	—	(390,778)

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk

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

— Currency risk (the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates);

— Interest rate risk (the risk that the value of financial instruments may fluctuate due to changes in market interest rates);

— Price risk (the risk that the value of financial instruments may fluctuate due to changes in market prices).

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

The Company is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made in US Dollar.

To mitigate such risk, in the period the Company used cash flow hedging financial instruments through simple derivatives, such as currency forwards in place for expected future cash flows. In any case, as of 31 December 2021, there are no currency forwards in place.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk (Continued)

The following is a sensitivity analysis determined on the basis of the exposure as at the reporting dates 31 December 2021 and 31 December 2020 of the Company's financial debt (assuming that Euribor is above zero, considering the zero-floor condition generally applied to the Company's main borrowings).

(in thousand Euro)

Change in 6M Euribor		**At 31 December 2021**		At 31 December 2020	
(+)	(-)	**(+)**	**(-)**	(+)	(-)
+50 BP	-50 BP	**453**	**-453**	836	-836
+100 BP	-100 BP	**906**	**-906**	1,673	-1,673
+200 BP	-200 BP	**1,813**	**-1,813**	3,345	-3,345
+300 BP	-300 BP	**2,719**	**-2,719**	5,018	-5,018

Credit Risk

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

In light of the type of customers targeted by the Company's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Company believes that its credit risk is modest. The payment of advances, which are instrumental to supporting the building of boats and vessels, is associated with both the defined contractual due dates and the achievement of production milestones.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

The table below reports residual amounts — i.e., already net of any write-downs — which even if expired at the reporting date (31 December 2021) are considered fully recoverable:

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

(*) Net of the allowance for doubtful accounts of €5,590 thousand.

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

			Past due			
	Balance at 31 December 2020	Not due	30 days	30-60	60-90	Beyond
Cash and cash equivalents	18,209	18,209	—	—	—	—
Trade receivables*	183,999	20,460	9,147	7,820	6,525	140,047
Other current assets	105,943	105,943	—	—	—	—
Financial assets included in other receivables	2,411	2,411	—	—	—	—
Financial assets included in other non-current assets	30,987	30,987	—	—	—	—
Total at 31 December 2020	341,549	178,010	9,147	7,820	6,525	140,047

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

The change in the allowance for doubtful accounts for the year ended 31 December 2021 is shown in Note 25.

The table below reports the amount of trade receivables — i.e., gross of any write-downs — which even if expired at the reporting date (31 December 2021) are considered fully recoverable:

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

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

	Balance at 31 December 2020	Not due	Past due: 30 days	Past due: 30-60	Past due: 60-90	Past due: Beyond
%	3%	0%	0%	0%	0%	4%
Trade receivables	189,453	20,460	9,147	7,820	6,525	145,501
Provision for doubtful accounts	5,454	—	—	—	—	5,454
Total at 31 December 2020	183,999	20,460	9,147	7,820	6,525	140,047

CAPITAL MANAGEMENT

The goals of managing the Company's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 20–22), depreciation and amortisation (Note 18), of €73,056 thousand for the year ended 31 December 2021 (2020: €44,814 thousand), in addition to maintenance of sound capital ratios in support of its business and maximising value for shareholders.

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

The Company is not subject to externally imposed capital requirements.

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

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the Income Statement for the fiscal year ended 31 December 2021, compared with those in the Income Statement for the fiscal year ended 31 December 2020.

6. NET REVENUE

The following table provides the breakdown of the item Net Revenue for the year ended 31 December 2021, compared with the same item for the year ended 31 December 2020:

	31/12/2021	31/12/2020
Revenue from contracts with customers	**841,503**	532,050
Commissions and other costs related to revenue	**(23,771)**	(21,206)
Total Net Revenue	**817,732**	510,844

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

	31/12/2021	31/12/2020
Composite yachts	**444,051**	297,611
Made-to-measure yachts	**238,621**	168,552
Super yachts	**84,561**	13,891
Other businesses	**50,499**	30,790
Total Net Revenue	**817,732**	510,844

Net Revenue arising from other businesses is broken down below.

	31/12/2021	31/12/2020
FSD	**10,676**	19,074
Used boats	**31,310**	7,078
Provision of services, etc.	**4,525**	4,638
Wally sailboats	**3,988**	—
Total other businesses	**50,499**	30,790

6. NET REVENUE (CONTINUED)

On the basis of IFRS 15, the Company identified the revenue streams, including the main ones:

— Sale of yachts to order;

— Sale of used boats.

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

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

Commissions and other costs related to revenue referred primarily to the costs incurred by the Company for the intermediation activities carried out by the dealers and brokers.

"Provision of services, etc." partly refer to the refit activity that the Company carried out, and partly regard the sale of replacement parts and other assistance services rendered in Italy and worldwide on boats previously sold. In addition, in 2021 as well the Company continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

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

	31/12/2021	31/12/2020
AMAS	**270,350**	139,181
APAC	**40,726**	50,351
EMEA	**371,596**	276,631
Global*	**84,561**	13,891
Other businesses	**50,499**	30,790
Total Net Revenue	**817,732**	510,844

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

6. NET REVENUE (CONTINUED)

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

	31/12/2021	31/12/2020
At a point in time	**42,479**	21,018
Over time	**775,253**	489,826
Total Net Revenue	**817,732**	510,844

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

	31/12/2021	31/12/2020
Revenue from contract liabilities	**34,023**	32,691

The following table shows the amount of contracts outstanding at 31 December 2021 which will be converted into revenue from contracts with customers within one year or after one year.

	31/12/2021	31/12/2020
Within one year	**409,743**	193,670
After one year	**99,595**	25,384
	509,338	219,054

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

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

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

8. COST CAPITALISED

This item, amounting to €27,274 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead and miscellaneous costs and expenses that were capitalised under the item "Models and moulds". These costs were incurred primarily for the internal production of models and moulds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

9. OTHER INCOME

	31/12/2021	31/12/2020
Discounts from suppliers	**3,725**	1,780
Damage settlements	**1,519**	638
Cost over-accruals	**1,560**	4,966
Rebilling of miscellaneous costs to customers and dealers	**836**	193
Intragroup rebilling of miscellaneous costs	**772**	901
Rebilling of centralised services	**190**	538
Rental income	**95**	53
Gains on sales of assets	**14**	1,810
Other	**3,927**	2,722
Total other income	**12,638**	13,601

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

The item "Damage settlements" refers primarily to the proceeds of insurance payouts — relating in particular to losses that occurred and/or for which claims were filed in respect of boats under construction and/or already delivered — that were settled in the reporting period or to be settled in the following months of the year as per the company Marine insurance policy in force with Generali Assicurazioni. It also includes amounts as per the claims filed by the Company for damages caused by atmospheric events included in the company All Risks policy in force with Generali Assicurazioni. This item also includes commercial and settlement agreements entered into by the Company during the period, and the reimbursements received by way of compensation from suppliers with whom disputes had arisen.

The item "Cost over-accruals" mainly refers to differences on cost forecasts recorded in the previous years for the supplies of services and raw materials, whose final account proved to be lower. Moreover, this item includes the amounts of receivables or payables closed during the reporting year, as they were time-barred.

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

9. OTHER INCOME (CONTINUED)

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

The item "Other" includes approximately €1,625 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

10. RAW MATERIALS AND CONSUMABLES USED

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

11. CONTRACTORS COSTS

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

12. COSTS FOR TRADE SHOWS, EVENTS AND ADVERTISING

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

13. OTHER SERVICE COSTS

	31/12/2021	31/12/2020
Transportation, insurance and customs clearing costs	**13,411**	10,332
Tax, legal and administrative consulting services	**12,100**	4,546
Technical consulting	**11,989**	10,570
Fees paid to members of corporate governance bodies	**4,674**	2,579
Maintenance	**3,801**	2,249
Utilities	**3,647**	2,890
Entertainment expenses	**3,417**	1,213
Insurance	**3,099**	2,061
Travel and per diem expenses	**2,713**	1,333
Recruiting and training costs	**2,454**	2,377
Costs of centralised services	**428**	736
Other	**13,777**	10,758
Total other service costs	**75,510**	51,644

13. OTHER SERVICE COSTS (CONTINUED)

The item "Tax, legal and administrative consulting services" mainly included €3,455 thousand for legal advice and notaries' fees and €1,831 thousand relating to administrative consulting, including accounts auditing, and tax assistance, also with regard to the audits and resolution of disputes during the year. Moreover, €333 thousand referred to IT consulting.

The item "Technical consulting" amounting to €11,989 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

In the fiscal year ended 31 December 2021, "Fees paid to members of corporate governance bodies" included €4,465 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, as well as fees paid to Statutory Auditors and the Supervisory Body.

With regard to Note 45 "Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors" see the schedule relating to the fees received by the Company's corporate bodies.

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

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

During the year, the Company also incurred costs amounting to €150 thousand in relation with the merger into Ferretti of the companies CRN and Michelini.

14. RENTALS AND LEASES

Following the adoption by the Company of IFRS 16 — Leases, as previously described in Note 3, to which the reference should be made, costs referring to rentals and leases were recognised under rights-of-use assets and lease liabilities, excluding short-term leases and leases related to low-value assets.

The right-of-use assets of most lease contracts were recognised based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease previously recognised.

14. RENTALS AND LEASES (CONTINUED)

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

	31/12/2021	31/12/2020
Short-term rentals and leases	1,201	1,397
Rentals and leases for low-value assets	1,606	1,188
Royalties	3,662	2,227
Total Rentals and leases	6,469	4,812

15. PERSONNEL COSTS

	31/12/2021	31/12/2020
Wages and salaries	71,138	48,094
Social security contributions	25,132	17,080
Non-current employee benefits and other allocations	4,627	3,576
Total Personnel costs	100,897	68,750

The five highest-paid employees during the years ended 31 December 2020 and 2021 include a director, whose details are given in Note 45, and four employees, who are not directors and whose personnel costs are as follows:

	31/12/2021	31/12/2020
Wages and salaries	3,054	1,061
Social security contributions	548	254
Non-current employee benefits and other allocations	73	66
Total Personnel costs	3,675	1,381

The number of highest-paid non-director employees whose remuneration fell into the following ranges was as follows:

	31/12/2021	31/12/2020
from HK$2,500,001 to HK$3,000,000	—	3
from HK$3,500,001 to HK$4,000,000	—	1
from HK$5,500,001 to HK$15,000,000	4	—
Total Number employees	4	4

16. OTHER OPERATING EXPENSES

	31/12/2021	31/12/2020
Settlement agreements	**1,219**	1,659
Taxes and fees other than income taxes	**1,156**	604
Cost under-accruals	**1,132**	555
Advertising and promotional material	**630**	445
Memberships in trade associations	**533**	452
Re-billable costs	**423**	198
Losses on asset sales	**405**	163
Losses on receivables	**95**	—
Sundry operating costs	**756**	1,109
Total other operating expenses	**6,349**	5,185

The item "Settlement agreements" related to several private agreements entered into in the course of the year.

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

"Cost under-accruals" referred mainly to the higher costs incurred during the financial year in excess of the provisions recognised in the financial year ended 31 December 2020 for supplies pertaining to the previous years.

The item "Losses on receivables" refers to the loss recognised by the former subsidiary Michelini Srl, now merged into Ferretti S.p.A., as a result of a judgement by the Court of La Spezia.

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

17. PROVISIONS AND IMPAIRMENT

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

	31/12/2021	31/12/2020
Allocations to the provision for product warranties	**18,767**	13,826
Provision for miscellaneous risks, net	**(5,356)**	(11)
Allocations to the provision for doubtful accounts	**1,881**	1,696
Total provisions and impairment	**15,292**	15,511

The amount in the item "Provision for miscellaneous risks, net" for the year ended 31 December 2021 refers mainly to the release of €5 million from a fund set aside in 2019 after the risk ceased to apply.

18. DEPRECIATION AND AMORTISATION

	31/12/2021	31/12/2020
Depreciation of property, plant and machinery	**34,624**	27,266
Depreciation of rights-of-use assets	**2,891**	3,257
Amortisation of intangible assets	**6,808**	2,954
Total depreciation and amortisation	**44,323**	33,477

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

19. SHARE OF LOSS OF A JOINT VENTURE

The item "Share of loss of a joint venture" amounted to €24 thousand and referred to the accounting using the equity method of Restart S.p.A., a new company incorporated in 2021.

20. FINANCIAL INCOME

	31/12/2021	31/12/2020
Income from receivables entered in fixed assets	**2,971**	3,472
Dividends distributed by subsidiaries	**1,422**	1,425
Interest income from banks	**8**	—
Interest and other financial income	**214**	1,494
Total financial income	**4,615**	6,391

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

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

"Dividends distributed by subsidiaries" refers to the dividends that the Shareholders' Meeting of Zago S.p.A. of 22 April 2021, when approving the Financial Statements for the year ended 31 December 2020, authorised to be distributed to Ferretti S.p.A. and payment was received on 8 August 2021.

21. FINANCIAL EXPENSES

	31/12/2021	31/12/2020
Interests on banks and other loans	**4,557**	5,655
Interest on lease liabilities	**82**	92
Interest on provision for severance benefits and pensions	**10**	21
Interest paid to subsidiaries	**—**	2
Other financial expenses	**1,164**	684
Total financial expenses	**5,813**	6,454

22. FOREIGN EXCHANGE LOSSES

At 31 December 2021, the Company does not have exchange rate risk hedging contracts in force; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at 31 December 2021.

23. INCOME TAX

Taxes showed tax expense of €1,185 thousand for the year ended 31 December 2021, due to both current and deferred taxes, as illustrated below:

	31/12/2021	31/12/2020
Corporate income tax (IRES)	**—**	—
Income from consolidation	**445**	—
Regional tax (IRAP)	**(1,851)**	(701)
Total current taxes	**(1,406)**	(701)
Prior-year taxes	**548**	1,686
Deferred taxes	**(327)**	16,016
Total income tax	**(1,185)**	17,001

Within the framework of national tax consolidation, the Company has nil taxable income for IRES (Imposta sul reddito delle società) purposes due to the use of tax losses and deductible interest expenses carried forward. In addition, the Company transferred to the Group tax consolidation scheme its losses and unused benefit associated with the economic growth aid law (ACE — Allowance for Corporate Equity), therefore recognising an income from tax consolidation of €445 thousand.

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

23. INCOME TAX (CONTINUED)

The following table provides a reconciliation between the nominal and effective tax rate of the Company for 2021 and 2020:

	31/12/2021	31/12/2020
Theoretical taxable base*	**24,718**	8,825
IRES 24%	**(5,932)**	(2,118)
IRAP 3.90%	**(964)**	(344)
Total theoretical tax	**(6,896)**	(2,462)
Credit used for ACE (Allowance for Corporate Equity)	**1,715**	—
Recognition of 2019 R&D receivable	**—**	1,637
Recognition of previously unrecognised deferred tax assets	**—**	16,064
Utilisation of tax losses	**6,250**	—
Other differences	**(2,254)**	1,762
Effective tax recognised in the income statement	**(1,185)**	17,001

(*) Figure referred to the profit before tax.

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the Statement of Financial Position for the fiscal year ended 31 December 2021 compared with 31 December 2020.

CURRENT ASSETS

24. CASH AND CASH EQUIVALENTS

	31/12/2021	31/12/2020
Bank and postal accounts	**114,210**	18,196
Cash and securities on hand	**13**	13
Total cash and cash equivalents	**114,223**	18,209

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. There are no obligations or restrictions on use. Amounts collected and held in escrow accounts are classified as current assets, under the line item "Other current assets".

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

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

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

25. TRADE AND OTHER RECEIVABLES

	31/12/2021	31/12/2020
Trade receivables	196,195	183,999
Other receivables	30,057	20,105
Total trade and other receivables	226,252	204,104

Trade receivables

	31/12/2021	31/12/2020
Accounts receivable from customers	11,447	12,472
Receivables from Group companies	190,338	176,981
Total gross trade receivables	201,785	189,453
(Less) Provision for doubtful accounts	(5,590)	(5,454)
Total trade receivables	196,195	183,999

"Accounts receivable from customers" at 31 December 2021 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising and provision of joinery works. These are considered to be receivable within 12 months. Payment terms are agreed with customers on a case by case basis.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables from Group companies

	31/12/2021	31/12/2020
CRN S.p.A.	**—**	20,914
Zago S.p.A.	**1,726**	1,339
Michelini Srl	**—**	45
Ram Srl	**88**	—
Ferretti Tech Srl	**3**	—
Ferretti Group of America Holding Company Inc	**11**	11
Ferretti Group of America LLC	**146,031**	127,537
Allied Marine Inc	**1,083**	1,072
Ferretti Asia Pacific Ltd	**41,270**	25,890
Ferretti Group Zhuhai	**2**	1
Ferretti Group UK Ltd	**68**	121
Ferretti Group (Monaco) SaM	**55**	51
Ferretti Gulf Marine — Sole Proprietorship Llc.	**1**	—
Total trade receivables from Group companies	**190,338**	176,981

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

Provision for doubtful accounts

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

	31/12/2021	31/12/2020
At beginning of year	**5,454**	5,693
Merger of a subsidiary	**1,104**	—
Impairment losses, net	**1,881**	1,696
Amount written off as uncollectible	**(2,849)**	(1,935)
At end of year	**5,590**	5,454

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Provision for doubtful accounts (Continued)

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

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

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

Other receivables

	31/12/2021	31/12/2020
Other tax receivables	**15,645**	9,472
Accruals, deferrals and other receivables	**14,412**	10,633
Total other receivables	**30,057**	20,105

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

	31/12/2021	31/12/2020
Receivables owed by social security institutions	**388**	266
Other receivables from Group companies	**445**	523
Advances, prepayments and sundry receivables from suppliers	**7,902**	4,324
Others	**276**	122
Accruals and deferrals	**5,401**	5,398
Total accruals, deferrals and other receivables	**14,412**	10,633

"Receivables owed by social security institutions" at 31 December 2021 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €165 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables (Continued)

The item "Other receivables from Group companies" refers for €445 thousand to the receivable from the subsidiary Zago S.p.A., which accrued a tax gain for IRES purposes that the Company used, as part of the National Tax Consolidation, to offset tax losses of other companies, whose participation, based on the new laws, has been tacitly renewed for three years.

The balance relating to "Advances, prepayments and sundry receivables from suppliers" at 31 December 2021 refers for €4,844 thousand to advances on commissions paid on the basis of interim receipts from customers, and for about €334 thousand to advances already paid for the main industry trade shows to be held in the first months of 2022, such as those in Miami, Dubai and Kuala Lumpur. The balance also includes several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at December 31, 2021 the impairment loss provision for the other receivable was assessed to be minimal.

26. CONTRACT ASSETS

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

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

The following table provides the breakdown arising from "Contract assets" at 31 December 2021, compared to those at 31 December 2020.

	31/12/2021	31/12/2020
Gross value of contract assets	**499,063**	281,338
Advances collected	**(361,608)**	(125,787)
Total contract assets	**137,455**	155,551

27. INVENTORIES

	31/12/2021			31/12/2020
	Gross value	Allowance for write-downs	Net amount	Net amount
Raw materials and components inventory	**50,308**	**(6,480)**	**43,828**	22,644
Work in progress and semi-finished goods	**62,723**	**—**	**62,723**	53,971
New boats	**20,244**	**(330)**	**19,914**	60,617
Used boats	**9,225**	**(2,575)**	**6,650**	16,269
Total inventories	**142,500**	**(9,385)**	**133,115**	153,501

The "Raw materials and components inventory" is adjusted by an allowance for write-downs of €6,480 thousand at 31 December 2021 that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

The item "New boats" refers to boats not covered by orders, whose production had been completed at the closing date of the reporting period. The carrying amount of finished boats not covered by orders was adjusted by means of an allowance for write-downs of €330 thousand in order to bring it down to the lower of the cost or estimated realisable value.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €2,575 thousand, in order to bring it down to its estimated realisable value.

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

	31/12/2021	31/12/2020
Within one year	**133,055**	136,413
After one year	**60**	17,088
Total inventories	**133,115**	153,501

Advances on Inventories

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

28. OTHER CURRENT ASSETS

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

	31/12/2021	31/12/2020
Other current assets	**6,507**	—
Other current assets from Group companies	**21,671**	105,943
Total Other current assets	**28,178**	105,943

The item "Other current assets" refers to the security deposit of €4 million paid in relation to participation in the auction. The amount receivable was collected in February 2022.

A residual amount of 2,508 thousand Euro refers to a receivable claimed by the Company from Perini Navi S.p.A., purchased from a financial institution (Banca Ifis S.p.A.). This receivable amounts to around one-third of the nominal value of the receivable. This receivable was purchased in relation to the project to acquire Perini Navi S.p.A. and will be collected from the bankruptcy receiver, in accordance with the bankruptcy procedures.

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

	31/12/2021	31/12/2020
Financial receivables		
Ferretti Group of America LLC	**492**	267
Ferretti Group of America Holding Company Inc	**16,931**	15,886
Zago S.p.A.	**2**	—
Ram Srl	**170**	—
Allied Marine Inc.	**3,834**	3,648
Ferretti Group Monaco Sam	**76**	61
Ferretti Group UK Ltd	**14**	11
Ferretti Asia Pacific Ltd	**152**	137
	21,671	20,010
Receivables for treasury accounts		
CRN S.p.A.	**—**	85,933
	—	85,933
Total	**21,671**	105,943

28. OTHER CURRENT ASSETS (CONTINUED)

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

Following the merger of CRN S.p.A. into Ferretti, as described above, receivables for treasury accounts were reduced to zero.

NON-CURRENT ASSETS

29. INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries at 31 December 2021 were broken down as follows:

	31/12/2021	31/12/2020
CRN S.p.A.	**—**	61,631
Zago S.p.A.	**9,417**	9,417
Sea Lion Srl	**2,028**	728
Michelini Srl	**—**	3,460
Ram Srl	**849**	—
Ferretti Tech Srl	**10**	—
Ferretti Group of America Ltd	**4**	4
Ferretti Group Asia Pacific Ltd	**10**	10
Ferretti Asia Pacific Zhuhai Ltd.	**120**	120
Ferretti Group (Monaco) S.a.M.	**1,100**	1,100
Ferretti Group UK Ltd	**2**	2
Ferretti Gulf Marine — Sole Proprietorship Llc.	**79**	—
Total Equity investments	**13,619**	76,472

In addition, on 22 March 2021, the Company made a quasi-investment, non-refundable payment with no right of restitution amounting to €1,300 thousand to Sea Lion S.r.l.

30. PROPERTY, PLANT AND EQUIPMENT

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

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

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

30. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in this item in the year ended 31 December 2020 were as follows:

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
At 1 January 2020					
Cost	94,673	33,820	26,531	226,136	381,160
Accumulated depreciation	(41,460)	(24,688)	(13,178)	(165,675)	(245,001)
Net carrying amount	53,213	9,132	13,353	60,461	136,159
At 1 January 2020, net of accumulated depreciation	53,213	9,132	13,353	60,461	136,159
Additions — owned assets	6,777	1,687	10,232	29,073	47,769
Additions — right of use assets	1,667	53	239	—	1,959
Disposals	(142)	(351)	(5,208)	—	(5,701)
Depreciation — owned assets	(2,367)	(1,897)	(3,455)	(19,547)	(27,266)
Depreciation — right of use assets	(2,481)	(112)	(664)	—	(3,257)
Reclassification	143	(580)	437	—	—
At 31 December 2020, net of accumulated depreciation	56,810	7,932	14,934	69,987	149,663
At 31 December 2020					
Cost	103,080	34,562	28,930	255,209	421,781
Accumulated depreciation	(46,270)	(26,630)	(13,996)	(185,222)	(272,118)
Net carrying amount	56,810	7,932	14,934	69,987	149,663

At 31 December 2020, the net carrying amounts of land and buildings, plant, machinery and equipment, other assets and models and moulds had included rights-of-use assets amounting to Euro 9,794 thousand, Euro 29 thousand and Euro 967 thousand, respectively.

31. INTANGIBLE ASSETS

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

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

Movements in this item in the year ended 31 December 2020 were as follows:

	Trademarks	Other intangible assets	Total
Cost	171,762	37,586	209,348
Accumulated depreciation		(24,647)	(24,647)
Balance at 31 December 2019	171,762	12,939	184,701
Additions	46	2,646	2,692
Amortisation	—	(2,954)	(2,954)
Disposal	—	(59)	(59)
Reclassifications	2,891	(2,891)	—
Balance at 31 December 2020	174,699	9,681	184,380
Cost	174,699	36,944	211,643
Accumulated amortization	–	(27,263)	(27,263)
Net carrying amount	174,699	9,681	184,380

Explanatory Notes to the Financial Statements

31. INTANGIBLE ASSETS (CONTINUED)

Trademarks — Indefinite useful life

A breakdown of the value of "Trademarks" at 31 December 2021 is as follows:

	31/12/2021	31/12/2020
Ferretti Yachts	**95,318**	95,318
CRN	**46,544**	—
Custom Line	**36,718**	36,718
Riva	**30,716**	30,716
Wally	**2,929**	2,929
Pershing	**8,609**	8,609
Easy Boat	**9**	9
Mochi	**2**	2
Costs for trademark protection and acquisition	**513**	398
Total Trademarks	**221,358**	174,699

Following the merger completed in the year, as commented upon above, the value of trademarks grew thanks to the contribution of the CRN trademark.

Other intangible assets — Definite useful life

	31/12/2021	31/12/2020
Concessions	**1,491**	1,533
Intellectual property rights	**9,544**	6,489
Software	**1,408**	1,659
Total Other intangible assets	**12,443**	9,681

This item includes:

— "Concessions", with a net book value of €1,491 thousand and referring chiefly to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. In addition, this item includes the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, amounting to €613 thousand; the right will remain valid until 2067;

— "Intellectual property rights", with a net book value of €9,544 thousand that includes the costs of the projects carried out by the Company on the IT systems of the main corporate areas in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad. This item increased by €3,140 thousand following the merger of CRN and Michelini;

— the item referring to software, with a net book value of €1,408 thousand, attributable to software licences and patents.

31. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets — Definite useful life (Continued)

Impairment test on indefinite useful life intangible assets

On 31 December 2021, the Company carried out impairment tests on these assets.

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

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

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

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

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

	31/12/2021	31/12/2020
Interest rate for riskless assets	**0.74%**	1.12%
Discount rate pre-tax — WACC	**8.37%**	7.24%
Perpetuity growth rate (g-rate)	**2.00%**	2.00%

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

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

On the basis of the analyses conducted, the Company's management did not identify a reasonable possible change in key parameters that could result in the carrying amount of the CGUs exceeding its recoverable amount at the end of 2020 and 2021.

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

32. OTHER NON-CURRENT ASSETS

	31/12/2021	31/12/2020
Equity investments designated at fair value through income statement	**116**	115
Equity investments in a joint venture	**31**	—
Other assets and deposits	**33,744**	31,082
Total other non-current assets	**33,891**	31,197

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

The value of "Other assets and deposits" refers to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year, security deposits, long-term deferrals and other receivables and loans granted to subsidiaries to finance and support operations as described in detail here below:

	31/12/2021	31/12/2020
CRN S.p.A.	**—**	48
Sea Lion Srl	**22,604**	22,384
Ferretti Group of America LLC	**5,310**	5,310
Ferretti Group (Monaco) S.a.M.	**799**	1,299
Ferretti Group UK Ltd	**165**	170
Ferretti Group Asia Pacific Ltd	**1,000**	1,000
Total other financial assets from Group companies	**29,878**	30,211

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

33. DEFERRED TAX ASSETS

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

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

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

33. DEFERRED TAX ASSETS (CONTINUED)

In detail, movements for the year ended 31 December 2020 are as follows:

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At 31 December 2019 and 1 January 2020	11,913	1,307	1,366	7,562	1,240	26,860	229	50,477
Credited/(charged) to:								
profit or loss	(1,059)	1,126	(105)	748	(37)	15,259	(45)	15,887
At 31 December 2020	10,854	2,433	1,261	8,310	1,203	42,119	184	66,364

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At 31 December 2019 and 1 January 2020	1,026	47,680	5,005	442	54,153
Charged/(credited) to:					
profit or loss	—	—	(129)	—	(129)
Other comprehensive income	—	—	—	(24)	(24)
At 31 December 2020	1,026	47,680	4,876	418	54,000

33. DEFERRED TAX ASSETS (CONTINUED)

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

	31/12/2021	31/12/2020
Deferred tax assets	**17,423**	12,364
Deferred tax liabilities	**—**	—
Total Deferred tax assets	**17,423**	12,364

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

	31/12/2021	31/12/2020
Tax losses and interest expense	**16,345**	22,166

The Company has tax assets from tax losses and surplus of financial interest expense (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising from €78,044 thousand as at 31 December 2021 (2020: €84,294 thousand) that are available without any time limit for offsetting against future taxable profits of the entities included in Group tax consolidation scheme in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial deduct expense that were not deducted in the past). Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

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

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

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

34. BANK AND OTHER BORROWINGS

	31/12/2021			31/12/2020		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — secured	**Euribor* + 1.5 — 2.9**	**2022**	**23,002**	Euribor* + 2.6 — 3.0	2021	32,501
Due to banks — unsecured			**53**	1.2 — 2.0	2021	10,648
Incidental borrowing costs			**(1,275)**			(1,497)
Due to banks net of incidental borrowing costs			**21,780**			41,652
Financial payables to Group companies		**2022**	**2,689**	1.7 — 2.0	2021	2,948
Due for maturity factor		**2022**	**—**	1.5	2021	29,312
Lease liabilities	**1.7 — 4.7**	**2022**	**3,943**	2.0 — 4.7	2021	3,441
Total short-term			**28,412**			77,353

	31/12/2021			31/12/2020		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — secured	**Euribor* + 2.6 — 2.9**	**2024**	**35,497**	Euribor* + 2.6 — 3.0	2024	58,499
Incidental borrowing costs			**(1,236)**			(2,213)
Due to banks net of incidental borrowing costs			**34,261**			56,286
Lease liabilities	**2.0 — 4.7**	**2031**	**14,069**	2.0 — 4.7	2031	8,945
Total medium-/long-term			**48,330**			65,231
Total bank and other borrowings			**76,742**			142,584

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

Note: As part of its normal business, the Company entered into trade payable factoring arrangements with some specific suppliers and transferred certain trade payables to certain banks. The factors pay the amounts due by the Company to those specific suppliers (within the payment due date), and at a later date the Company pays the factors. It is a financing arrangement between the Company and the factors to extend the Company's payment due dates of suppliers.

34. BANK AND OTHER BORROWINGS (CONTINUED)

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

(a) an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company, to be repaid according to an amortisation schedule that calls for six half-yearly payments, starting on 31 December 2021, with maturity on 2 August 2024, to be used to finance, *inter alia*, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the "Term Loan Facility");

(b) a revolving medium-to-long term line of credit with a total maximum amount of €40 million for the Company, to be repaid on the final maturity date (i.e., 2 August 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the "Revolving Credit Facility");

(c) a revolving medium-to-long term line of credit with a total maximum amount of €60 million for the Company, to be repaid on the final maturity date (i.e., 2 August 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the "Revolving Pre-Finance Facility").

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

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

At 31 December 2020 and 31 December 2021, all covenants had been fulfilled.

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

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

34. BANK AND OTHER BORROWINGS (CONTINUED)

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

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

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

Financial payables to Group companies relate to the subsidiary Zago S.p.A. and refer essentially to payables for treasury accounts originating from amounts held in the centralised treasury account that transfers the subsidiaries' positive balances daily to the parent company's current bank account, with a "zero balance" mechanism.

All borrowings are denominated in Euro.

35. PROVISIONS

The table below shows the changes that occurred in "Provisions" during the years ended 31 December 2020 and 31 December 2021:

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

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at 1 January 2020	14,115	30,627	44,742
Additions	13,826	4,904	18,730
Utilisations during the period year	(14,115)	(8,418)	(22,533)
Balance at 31 December 2020	13,826	27,113	40,939

35. PROVISIONS FOR RISKS AND CHARGES (CONTINUED)

• Provision for product warranties

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

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

	31/12/2021	31/12/2020
Current portion	**9,384**	6,913
Non-current portion	**9,383**	6,913
Total Provision for product warranties	**18,767**	13,826

• Provisions for miscellaneous risks

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

	31/12/2021	31/12/2020
Legal proceedings and tax and employment law litigation	**5,819**	16,246
Provision for incentives to dealers	**7,275**	6,337
Provision for completion of boats	**1,512**	1,410
Provisions for other risks	**4,413**	3,120
Total Provisions for miscellaneous risks	**19,019**	27,113

Provisions for miscellaneous risks are classified under current liabilities.

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

The decrease compared to the previous year relates to the settlement of a dispute, for which the provision of €2 million was used, and to the judgement handed down with regard to a dispute, the amount of which was recognised among accounts payable pending payment to the counterparty.

35. PROVISIONS FOR RISKS AND CHARGES (CONTINUED)

- **Provisions for miscellaneous risks (Continued)**

Moreover, the €5 million provision allocated in previous years was released as it is believed that the related risk does not exist any longer.

The most important tax litigation proceedings in which the Company is involved are described below. In previous years, Riva S.p.A. (currently Ferretti S.p.A.) received a notice of assessment with regard to VAT for the 2009 period, concerning the incorporated company Pershing S.p.A. The Company appealed the above notice and its appeal was granted in the first instance. The Italian Revenue Agency lodged an appeal in the second instance, but no hearing has been scheduled at this time.

In 2017, CRN S.p.A. (currently Ferretti S.p.A.) was served with a notification imposing a financial penalty due, in the Revenue Agency's opinion, to not having properly regularised and voluntarily adjusted the so-called "splafonamento" (VAT threshold) for the 2012 tax year. The former CRN S.p.A. presented an appeal to the Ancona Provincial Tax Commission in the same year and in January 2021 the judgement was filed in which the Provincial Tax Commission accepted the appeal presented by the Company. On 30 April 2019, the Revenue Agency notified its appeal against the first-level judgement. The value of the litigation is €2,969 thousand.

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

The "Provisions for other risks" were established to cover liabilities that are likely to arise as a result of other legal actions and proceedings that the Company could face in the normal course of business.

In addition, in connection with the Company's development project for public land in La Spezia, a reclamation project extending to approximately 26,600 cubic metres of seabed had originally been approved in 2006. The Company presented a new project entailing significant modifications, which the Port Authority approved on 25 May 2018, following the service conference held with the participation of all competent authorities and administrations. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure has yet to be completed pursuant to Article 242 et seq. of Legislative Decree No. 152/2006; in the event of failure to reclaim the seabed, the Port Authority could revoke the public land concession for the site in question. The expected costs of this reclamation project have been estimated by the Company to amount to between €200 thousand and €400 thousand.

As of the date of approval of the Financial Statements, the Company is waiting for indications form the Port Authority of La Spezia on the actions to be taken on the remediation project, as per the letter of 20 February 2020 in response to a request for an update from the same body.

36. TRADE AND OTHER PAYABLES

	31/12/2021	31/12/2020
Accounts payable to suppliers	**224,173**	155,483
Payables to Group companies	**74,902**	82,498
Trade payables	**299,075**	237,981
Other payables	**90,417**	69,140
Total trade and other payables	**389,492**	307,121

	31/12/2021	31/12/2020
Trade and other payables — current	**389,136**	306,794
Trade and other payables — non-current	**356**	327
Total trade and other payables	**389,492**	307,121

Trade payables

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

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

36. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables to Group companies

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

	31/12/2021	31/12/2020
CRN S.p.A.	**—**	23,240
Zago S.p.A.	**4,525**	2,997
Sea Lion Srl	**44**	97
Michelini & C. Srl	**—**	42
Ram Srl	**13**	—
Ferretti Group of America LLC	**59,129**	45,984
Allied Marine Inc	**9,474**	9,108
Ferretti Group Asia Pacific Ltd	**1,592**	801
Ferretti Group UK Ltd	**53**	294
Ferretti Group (Monaco) Sam	**—**	(65)
Ferretti Gulf Marine — Sole Proprietorship Llc.	**72**	—
Total trade payables to Group companies	**74,902**	82,498

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

Other payables

	31/12/2021	31/12/2020
Payables due to pension and social security institutions	**11,231**	6,766
Amounts payable to employees	**15,880**	7,906
Amounts payable to directors	**1,111**	1,054
Other tax payable	**4,953**	2,861
Miscellaneous payables	**3,205**	503
Accrued expenses	**432**	522
Deferred income	**53,249**	47,379
Other payables to Group companies	**—**	1,820
Government authorisation fees	**356**	329
Total other payables	**90,417**	69,140

The item "Payables due to pension and social security institutions" reflects the amounts owed to these institutions at 31 December 2020 by the Company and its employees for the December payroll and for accrued and deferred remuneration.

36. TRADE AND OTHER PAYABLES (CONTINUED)

Other payables (Continued)

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

The item "Amounts payable to directors" refers to remuneration which has accrued but was not yet paid as of 31 December 2021.

The item "Other tax payable" chiefly refers to taxes withheld accrued that will be paid in 2022.

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

The item "Deferred income" mainly includes the sale value of boats amounting to approximately €50 million to the subsidiary Ferretti Group of America LLC and about €3.3 million to the subsidiary Ferretti Group Asia Pacific Ltd, invoiced both during the year and during previous years, in relation to which, at the end of the 2021 financial year, the criteria set out in the reference accounting standards for the recognition of revenue were not met.

The item "Government authorisation fees", totalling €356 thousand at 31 December 2021, relates mainly to prepayments of public grants received by the Company of €261 thousand authorised in favour of the former Riva S.p.A., now merged in Ferretti, and €94 thousand authorised in favour of the former subsidiary CRN S.p.A., now also merged in Ferretti. Said deferred income was classified under "Non-current liabilities" for the portion due after the following year. These grants will be recognised in the Income Statement along with the amortisation periods of the corresponding assets once the underlying Framework Agreements expire.

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

37. CONTRACT LIABILITIES

"Contract liabilities" include amounts paid by customers for orders not yet fulfilled, based on the sales conditions normally applied. More specifically, this item represents both the part of advances exceeding production already completed and the part of advances received and for which the order has not progressed as at the reporting date. The increase compared to the previous year was due to the intake of new orders, including for boats not yet in production to be built in 2022 and/or 2023, as well as to higher prepayment percentages than in the previous year.

38. INCOME TAX PAYABLE

The item "Income tax payable" at 31 December 2021 refers to income taxes accrued that will be paid in the following year.

NON-CURRENT LIABILITIES

39. BANK AND OTHER BORROWINGS

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

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item at 31 December 2021 is as follows:

	31/12/2021	31/12/2020
Provision for employee benefits	**6,141**	4,983
Provision for leaving indemnity	**480**	549
Total Non-current employee benefits	**6,621**	5,532

a) Employee benefits

Under IAS 19, employee benefits provided in accordance with Italian laws that govern the payment of employee severance indemnities should be treated as post-employment benefits provided under a defined-benefit plan and, consequently, should be valued in accordance with the Projected Unit Credit Method. However, in view of the new provisions introduced by the 2007 Budget Law (Law No. 296 of 27 December 2006), the entities authorised to provide a technical analysis of this issue (Abi, Assirevi and the National Board of Actuaries) concluded that the severance benefits that vest from 1 January 2007 on (or on the date that the option for employees who opted to pay into supplemental pension funds starts) and are invested in supplemental pension funds or deposited in the Treasury Fund maintained by the INPS should be treated as being part of a defined-contribution plan and, as such, are no longer subject to actuarial valuation. This system applies to companies with more than 50 employees, thus it applies to Ferretti and former C.R.N. S.p.A.

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

The process of determining the Company's obligations toward its employees, which was carried out by an independent actuary with the same procedure followed at 31 December 2020, involved the following steps:

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

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

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

The following table provides the movements in the item "Provision for employee benefits" at 31 December 2021 and 31 December 2020:

	31/12/2021	31/12/2020
Present value of the initial obligation	**4,983**	5,202
Merger of a subsidiary	**1,637**	—
Interest cost	**10**	21
Service cost	**—**	12
Actuarial gains	**(118)**	(48)
Use for indemnities paid and advances	**(371)**	(204)
Present value of the final obligation	**6,141**	4,983

At 31 December 2021, the following assumptions were made:

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

Demographic Assumptions

1. Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2020 (source: ISTAT);

2. yearly probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last five years and applied to all employees aged 65 or younger, equal to 4%;

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

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

Financial Assumptions

— Annual inflation rate: 1.75% for the entire valuation period;

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

— technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to 31 December 2021: 1%;

— technical discounting rate for the valuation of financial charges for the period 1 January 2021 — 31 December 2021, equal to the discounting rates for valuations of the defined-benefit obligations at 31 December 2020 (interest cost): 0.3%;

— technical discounting rate at 31 December 2021, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 0.9852%.

In 2021, an actuarial gain amounting to €155 thousand (before tax) was recognised under the "Other reserves" item.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

Financial Assumptions (Continued)

The amounts recognised in the Income Statement are summarised below:

(in thousand Euro)	**31/12/2021**
Interest cost	10
Total	10

b) Provision for leaving indemnity

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

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

As was the case for the Provision for employee severance indemnities, the Company's liability toward its employees was determined by an independent actuary.

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

At 31 December 2021, the following assumptions were made:

Demographic Assumptions

Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2020 (source: ISTAT);

probability of termination of employment for various reasons (resignation, dismissal), equal to 4% annually for all employees aged 65 or younger;

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b) Provision for leaving indemnity (Continued)

Financial Assumptions

1. Technical discounting rate applied to value defined-benefit obligations and the current service cost relating to 31 December 2021: 1.0%;

2. technical discounting rate for the valuation of financial charges for the period 1 January 2021 — 31 December 2021, equal to the discounting rates for valuations of the defined-benefit obligations at 31 December 2020 (interest cost): 0.3%;

3. technical discounting rate at 31 December 2021, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 0.9852%.

The actuarial valuation performed in accordance with the method explained above shows that the provision had a value of €480 thousand at 31 December 2021, including the respective contributions.

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

	Increase/ (decrease) of the interest rate of%	Increase/ (decrease) of profit before tax
31 December 2021		
Euro	25	126
Euro	(25)	(131)
31 December 2020		
Euro	25	135
Euro	(25)	(140)

SHARE CAPITAL AND RESERVES

41. SHARE CAPITAL

	31/12/2021	31/12/2020
Subscribed and fully paid	**250,735**	250,735

The share capital, fully subscribed and paid up, is formed of 250,734,954 ordinary shares without par value.

42. RESERVES

The "Share premium reserve", amounting to €281,293 thousand, was created through a cash payment disbursed on 3 July 2012, which was equal to the amount paid for the share capital increase and its amount rose through the capital increases occurred in 2019.

The "Legal reserve", set up pursuant to the Italian Civil Code, amounted to €7,110 thousand.

The item "Other reserves", at 31 December 2021, mainly includes:

The reserve for the overall profit/(loss) effect on defined-benefit plans amounting to €(113) thousand at 31 December 2021 was set up in accordance with IAS 19 — Employee Benefits; during the year the amount of the reserve changed by €118 thousand, net of the tax effect, as reported in the Comprehensive Income Statement.

The merger reserve of €30.7 million was generated following the merger of CRN S.p.A. and Michelini & C. Srl, described above, as was the IAS/IFRS transition reserve.

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

Dividends

	31/12/2021	31/12/2020
Dividends	**3,510**	6,582

The General Shareholders' Meeting convened on 11 May 2021, authorised a dividend payout for €3,510 thousand, equal to €1.40 cents per share, made on 14 June 2021. The General Shareholders' Meeting convened on 16 March 2020 had authorised a dividend payout for €6,582 thousand, equal to €2.625 cents per share, paid on 25 March 2020. On 28 April 2022, the board of directors of the Company proposed dividend of €6,707 thousand (equal to €1.98 cents per share), which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

43. CASH FLOWS

Company's main non-monetary transactions

During the year ended 31 December 2021, the Company had non-cash additions to rights-of-use assets and lease liabilities of €2,404 thousand (2020: €1,959 thousand).

Changes in liabilities arising from financing activities

Bank and other borrowings *(excluding lease liabilities)*	**31/12/2021**	31/12/2020
At the beginning of the year	**130,198**	96,685
Changes in financing activities:		
New borrowings	**58,730**	130,198
Repayment	**(130,198)**	(96,685)
Total at the end of the year	**58,730**	130,198

Lease liabilities	**31/12/2021**	31/12/2020
At the beginning of the year	**12,386**	13,318
Changes in financing activities:		
Merger of CRN	**6,620**	—
New leases	**2,404**	2,983
Interest expenses	**82**	92
Lease payment	**(3,480)**	(4,007)
Total at the end of the year	**18,012**	12,386

Total cash outflows for leasing

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

	31/12/2021	31/12/2020
Operating activities	**2,807**	2,585
Financing activities	**3,480**	4,007

44. RELATED PARTY TRANSACTIONS

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

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

With regard to transactions with Group companies, please refer to the details illustrated in these Explanatory Notes for credit and debit positions.

The breakdown of the Company's balances with related parties at 31 December 2020 and 31 December 2021 is set out below:

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

44. RELATED PARTY TRANSACTIONS (CONTINUED)

	Trade and other receivables	Other current assets	Other non-current assets	Other current liabilities	Trade and other payables
Fellow subsidiaries:					
Weichai Power Co. Ltd	484	—	—	—	(516)
Shandong Weichai Import & Export Co. Ltd	3,150	—	—	—	—
Subsidiaries:					
CRN S.p.A.	20,914	85,933	48	—	(25,061)
Zago S.p.A.	1,862	—	—	(2,948)	(2,997)
Sea Lion Srl	—	—	22,384	—	(97)
Michelini Srl	45	—	—	—	(42)
Ferretti Group of America Holding Company Inc	11	15,886	—	—	—
Ferretti Group of America LLC	127,537	267	5,310	—	(45,984)
Allied Marine Inc	1,072	3,648	—	—	(9,108)
Ferretti Asia Pacific Ltd	25,890	137	1,000	—	(801)
Ferretti Group Zhuhai	1	—	—	—	—
Ferretti Group UK Ltd	121	11	170	—	(294)
Ferretti Group (Monaco) SaM	51	61	1,299	—	65
Other related parties:					
HPE S.r.l.	—	—	—	—	(100)
Ferrari S.p.A.	—	—	—	—	(13)
CoEnergetica S.a.s.	—	—	—	—	(15)
Other related parties	28	—	—	—	(147)
Total related parties at 31 December 2020	181,166	105,943	30,211	(2,948)	(85,110)

The balance of trade and other payables to Weichai Power Co. Ltd amounting to €645 thousand at 31 December 2021 refers wholly to the agreements with the parent company on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

The balance of trade and other receivables from Shandong Weichai Import & Export Co. Ltd amounting to €3.2 million at 31 December 2021 refers wholly to the sale of a yacht.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance of trade and other payables to HPE S.r.l. amounting to €50 thousand at 31 December 2021 refers wholly to the last instalment in 2021, based on the agreement entered into on 1 January 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The balance of trade and other payables to Ferrari S.p.A. amounting to €5 thousand at 31 December 2021 refers wholly to the purchase of merchandising by the Company.

The balance of trade and other payables to other related parties amounting to €203 thousand at 31 December 2021 mostly refers to the costs incurred by the Company for legal services amounting to €145 thousand and other services provided by related parties under arm's length conditions.

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

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

Explanatory Notes to the Financial Statements

44. RELATED PARTY TRANSACTIONS (CONTINUED)

	Net Revenue	Other Revenues and Income	Costs for the use of raw materials, services, rentals and leases	Financial income (expense)
Fellow subsidiaries:				
Weichai Power Co., Ltd	—	—	(508)	—
Other related parties:				
HPE S.r.l.	—	—	(200)	—
Ferrari S.p.A.	—	—	(14)	—
CoEnergetica S.a.s.	—	—	(15)	—
Other related parties	—	—	(421)	—
Subsidiaries				
CRN S.p.A.	—	1,226	(18,060)	1,368
Zago S.p.A.	—	294	(10,246)	(2)
Sea Lion S.r.l.	—	—	(425)	221
Michelini & C. S.r.l.	—	—	(34)	—
BY Winddown Inc	—	—	—	1,497
Allied Marine Inc	—	25	—	220
Ferretti Group of America LLC	76,335	189	(5,849)	267
Ferretti Group of America Holding Company Inc	—	—	—	1,240
Ferretti Group Asia Pacific Limited	26,886	293	(626)	16
Ferretti Group (Monaco) SAM	—	—	(385)	9
Ferretti Group UK Limited	—	18	(586)	3
Total related parties at 31 December 2020	103,221	2,045	(37,369)	4,839

The costs with regard to Weichai Power Company Co. Ltd amounting to €129 thousand for 2021 relate to the partial charge-back of the costs incurred by the Company on sponsoring the "Riva" brand on the Ferrari single-seater helmets.

The costs with regard to Wally S.A.M. amounting to €241 thousand for 2021 relate primarily to the provision of services referring to Montecarlo offices.

The costs with regard to HPE S.r.l. amounting to €200 thousand for 2021 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The costs with regard to Ferrari S.p.A. amounting to €5 thousand for 2021 relate primarily to the purchase of merchandising by the Company.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

The costs with regard to PEH S.r.l. of €164 thousand for 2021 relate mainly to consulting services provided in identifying potential acquisition targets in the boating sector.

The costs with regard to CoEnergetica S.a.s. of €15 thousand for 2021 mainly relate to technical consulting services provided for the design and contractual negotiation of a cogenerator at the Ancona facility.

The costs to other related parties amounting to €703 thousand at 31 December 2021 mostly refer to the costs incurred by the Company for legal services and other consulting services tied to the development of the FSD division, provided by related parties under arm's length conditions.

Compensation of top five paid employees of the Company

	31/12/2021	31/12/2020
Fees	**4,075**	2,373
Wages and salaries	**3,985**	1,940
Social security contributions	**864**	529
Employee severance indemnities and other allocations	**—**	122
Total compensation paid to key management personnel	**8,924**	4,964

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

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

	31/12/2021	31/12/2020
Fees	**4,313**	2,373
Social security contributions	**36**	23
Total fees and compensation	**4,349**	2,396

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

The detail is as follow:

2021

Name and surname	Post held	Fees and compensation for the post held	Social security contributions	Total
Tan Xuguang	Chairman of the Board of Directors	—	—	—
Alberto Galassi	Director and Chief Executive Officer	**4,075**	—	**4,075**
Piero Ferrari	Vice Chairman of the Board of Directors	**53**	—	**53**
Xu Xinyu	Director	**57**	**36**	**93**
Li Xinghao	Director	**43**	—	**43**
Li Shaofeng	Director	**33**	—	**33**
Wu Guogang	Director	**9**	—	**9**
Lalonde Daniel	Director	**43**	—	**43**
Total		**4,313**	**36**	**4,349**

2020

Name and surname	Post held	Fees and compensation for the post held	Social security contributions	Total
Tan Xuguang*	Chairman of the Board of Directors	—	—	—
Alberto Galassi**	Director and Chief Executive Officer	2,143	—	2,143
Piero Ferrari	Vice Chairman of the Board of Directors	53	—	53
Xu Xinyu	Director	57	23	80
Li Xinghao	Director	34	—	34
Jiang Kui*	Director	—	—	—
Wu Guogang	Director	43	—	43
Lalonde Daniel	Director	43	—	43
Total		2,373	23	2,396

* In the years ended 31 December 2021 and 2020, Chairman Tan Xuguang and Jiang Kui waived the fees and compensation to which they are entitled for their role.

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

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

The remuneration paid to Ferretti S.p.A.'s Statutory Auditors and members of the Supervisory Body for the years ended 31 December 2020 and 2021 are shown in the table below (in thousand Euro):

2021

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

2020

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

The fees, including all related expenses paid to the independent auditors in relation to the auditing of the Financial Statements for the years ended 31 December 2020 and 2021 are shown below (in thousand Euro):

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

2021

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

2020

Company	Post held	Fees and Compensation for post held
EY SpA	Fees for the auditing of accounts	197
Total		197

46. CONTINGENT LIABILITIES

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

47. MORTGAGES ON PROPERTIES

As at 31 December 2021, the Company's bank loans were secured by mortgages on properties of €85,486 thousand (31 December 2020: €73,606 thousand).

48. COMMITMENTS

As at 31 December 2021 no commitments was reported (31 December 2020: Nil).

49. GUARANTEES PROVIDED TO THIRD PARTIES

For purposes of comprehensive disclosure, the following paragraphs provide a detail the guarantees provided and the commitments undertaken by the Company at 31 December 2021.

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

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

- a surety policy for a total amount of €113 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2018;

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

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

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

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

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

- a surety policy for a total amount of €797 thousand issued by Elba Assicurazioni as a guarantee for contractual obligations associated with the supply of several patrol boats to the Carabinieri Corps;

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

- a surety policy for €1,083 thousand issued by Elba Assicurazioni for the benefit of the La Spezia Customs Agency for a boat temporarily imported for the performance of warranty work;

- guarantees totalling €1.1 million issued by various banks in favour of certain suppliers, following negotiated supply conditions;

49. GUARANTEES PROVIDED TO THIRD PARTIES (CONTINUED)

- guarantees totalling €46.2 million issued by various banks in favour of customers for the construction of several boats;
- a bank guarantee for €250 thousand issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;
- a bank guarantee issued in relation to the process awarding the Wally brand.
- a surety policy of €30 thousand received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;
- a surety policy of €40 thousand received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €3,222 thousand received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Revenue Agency as a guarantee for offsetting the VAT credit for 2019;
- a surety policy of €103 thousand Euro, received from Liberty Mutual Assicurazioni for the benefit of the Italian Customs and Monopolies Agency of Ancona — seafront for a global guarantee (tax relief measures);
- sureties totalling €91 million issued by various banks to customers as a guarantee of the advances paid for the construction of boats.

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

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

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

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

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

50. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021

On 11 January 2022, one boat in construction at the shipyard of the Company in Cattolica (Rimini) was destroyed by a fire and other two vessels were significantly damaged. The Company's loss of contract assets, estimated to be at €8.5 million, was fully insured. The corresponding actual claim amount is in progress.

The Russia-Ukraine tensions have recently accelerated, resulting in Russian invasion of Ukraine in February 2022. We believe that the impact of such geo-political conflicts on our sales, procurement and the future prospects have been and will be minimal based on the following:

— To the best knowledge of our Directors, as of the date of the financial statements, the Company was not engaged in any sales or had any pending orders to Russian oligarchs;

— During the period from 2018 to 2021, sales to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer. Due to the nature and uniqueness of the luxury industry, we did not experience in the past, nor do we expect to face in the future, any material difficulty in reselling our yachts to other customers;

— Ferretti will cease entering into new sales contracts with Russian and Ukraine purchasers; and

— on the supply side, we are not sourcing, and do not plan to source in the future, any raw materials and components from any Russian or Ukraine supplier.

Although the invasion may result in rises in energy prices and raw material costs, we believe that the impact on us will be minimal as we are not engaged in an energy intensive business, and due to the nature and uniqueness of the luxury industry, it would be relatively easy for us to pass on increases in raw material costs to our customers.

In addition, in March 2022, the Italian government declared a state of emergency over Russian invasion of Ukraine until December 31, 2022. We do not expect this recent development to have a material adverse impact on our business and operations because state of emergency is not a new situation in Italy as Italy has already been in the state of emergency since March 2020 due to the COVID-19 pandemic.

On 31 March 2022, the Company was listed on the Main Board of the Hong Kong Stock Exchange with the global offering of ordinary shares of the Company, including, a public offering in Hong Kong of 8,358,000 shares and an international offering of 75,222,000 shares, in each case at a price of HK$22.88 per share (collectively the "Global Offering"). The net proceeds (after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering) from the Global Offering, assuming that the over-allotment option is not exercised, amounting to approximately €209 million was recorded as equity of the Company.

51. APPROVAL OF THE FINANCIAL STATEMENTS

The Company's Board of Directors approved these Financial Statements and authorized their publication on 28 April, 2022.

ATTACHMENTS

This information is contained in the following attachments:

I Statement of Changes in Financial Fixed Assets:

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

ATTACHMENT I

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

(in thousand Euro)

	Opening balances				Movements for the year			Closing balances			
	Historical cost	Write-up	Write-down	Balance at 31/12/2020	Increases	Decreases	Write-downs and reversals of write-downs	Historical cost	Write-up	Write-down	**Balance at 31/12/2021**
Equity investments											
Subsidiaries	782,994	20,781	(727,303)	76,472	2,238	(94,155)	29,064	691,077	20,782	(698,240)	**13,619**
Affiliated companies	—	—	—	—	—	—	—	—	—	—	**—**
Joint ventures	—	—	—	—	55	—	(24)	55	—	(24)	**31**
Other companies	221	—	(106)	115	1	—	—	222	—	(106)	**116**
Total equity investments	783,215	20,781	(727,409)	76,587	2,294	(94,155)	29,040	691,354	20,782	(698,370)	**13,766**
Receivables											
From subsidiaries	140,310	—	(110,099)	30,211	385	(718)	—	139,977	—	(110,099)	**29,878**
From others	871	—	—	871	2,994	—	—	3,865	—	—	**3,865**
Total receivables	141,181	—	(110,099)	31,082	3,379	(718)	—	143,842	—	(110,099)	**33,743**

ATTACHMENT II

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

Name	Registered office	Share capital (in local currency)	Equity		Income for the year		% ownership	
			Total amount	Pro-quota amount	Total amount	Pro-quota amount	Direct	Indirect
Subsidiaries								
** Italian companies*								
— Zago S.p.A.	Scorzé (Venice)	EUR 120,000	1,570	1,570	1,422	1,422	100%	
— Sea Lion S.r.l	Forlì (Forlì-Cesena)	EUR 10,000	(1,189)	(892)	(1,223)	(917)	75%	
— Ram S.r.l.*	Sarnico (Bergamo)	EUR 520,000	(280)	(224)	(730)	(584)	80%	
— Ferretti Tech S.r.l.	Cattolica (Rimini)	EUR 10,000	9	(1)	(1)	100%		
** Foreign companies*								
— Allied Marine Inc.	Fort Lauderdale (USA)	USD10	118	118	2,169	2,169	100%	
— Ferretti Group of America Holding Company Inc.	Miami (USA)	USD10	(103,313)	(103,313)	(1,599)	(1,599)	100%	
— Ferretti Group of America Llc**	Miami (USA)	USD100	(108,407)	—	1,214	—		100%
— BY Winddown Inc**	Miami (USA)	USD10	(110,023)	—	(1,724)	—		100%
— Ferretti Group Asia Pacific Ltd	Hong Kong	HKD100,000	(19,506)	(19,506)	572	572	100%	
— Ferretti Asia Pacific Zhuhai Ltd	Hengqin (Zhuhai)	RMB1,000,000	101	101	(5)	(5)	100%	
— Ferretti Group (Monaco) S.a.M.	Monaco (France)	EUR 150,000	(28)	(28)	34	34	100%	
— Ferretti Group UK Ltd	United Kingdom (UK)	GBP 1	(189)	(189)	48	48	100%	
— Ferretti Gulf Marine — Sole Proprietorship Llc.***	Arab Emirates	AED 300,000	n.a.	n.a	n.a	n.a	100%	

(*) Data on September 30, 2021

(**) Controlled through Ferretti Group of America Holding Company Inc.

(***) It has just been incorporated and has no approved yet financial statements

Values relating to US companies are denominated in USD.

The consolidated financial statements of the Company and its subsidiaries were prepared and approved by the Board of Directors of the Company on 28 April 2022.