ANNUAL FINANCIAL REPORT

2022

SANLORENZO

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I

REPORT ON OPERATIONS
SECTION ONE

letter
to shareholders

Dear Shareholders,

We are proud to have ended the financial year 2022 with the best performance in the history of Sanlorenzo. This result is even more significant in view of the context of global uncertainty that characterised the entire period. The effects resulting from the prolonged war in Ukraine, the explosion in energy and commodity prices, the inflation phenomenon and the consequent decision by central banks to raise interest rates, further demonstrated the "resilience" of our business model, adapted to the ever new and unforeseen management challenges, confirming, once again, the solidity of the Group and our ability to react quickly.

The year 2022 saw the realisation of double-digit growth in financial results, again exceeding our own forecasts. A year that closes a three-year period of excellent results: a doubling of EBITDA, a nearly threefold increase in net profit, a cash generation of more than €100 million, while distributing dividends of around €31 million. These results have matured thanks to the strong commitment of all stakeholders, whose work contributes, day after day, to a solid and constant growth.

At the time of listing, we promised "measured growth". We intend to keep the same pace for the next three years, while always delivering better-than-expected results to our shareholders. In support of the 2023-2025 Business Plan, we have identified the pillars of "quiet luxury" that will characterise, even more, the growth of Sanlorenzo and which are summarised in our "Road to 2030" vision: sustainability and technology – combined with the development of the supply chain and high value-added services to our customers – are at the heart of the development strategy for the coming years.

The whole Sanlorenzo will continue to work with passion, commitment and responsibility to achieve outstanding results and to guarantee customers unique products in terms of quality and design, at the forefront of the industry in terms of technological content and real sustainability.

Allow me to say a few more words on sustainability. Although the yachting segment accounts for a marginal share of the total emissions of the entire shipping sector, the introduction of innovations and technologies to reduce the environmental impacts of yachts is a top priority for Sanlorenzo. We feel the responsibility that comes with our leadership. That is why I am proud to mention that we are developing pioneering projects with the world's leading energy and E-fuel players to generate carbon neutral power, revolutionising the entire nautical industry. The course is set: in 2022, we have made significant progress on the path that will lead us to launch in 2024, the first 50Steel equipped with green methanol hydrogen fuel cells to power all on-board services, and then, in 2028, to the launch of a superyacht powered solely by methanol, the ultimate goal for Sanlorenzo and a true response to the demand for sustainability in the industry and the world. In fact, the generation of the power necessary for sailing at maximum speed will no longer be tied to the use of diesel engines, but will be based on a combination of fuel cells and internal combustion engines fuelled by green methanol.

At the same time, two revolutionary projects based on the use of hydrogen were realised, with Bluegame playing a leading role: the BGH tender, due to be launched in the summer of 2023, chosen by the New York Yacht Club as the "chase boat" to accompany American Magic during the 37th America's Cup to be held in Barcelona in 2024, with exclusively hydrogen propulsion and zero emissions, and the subsequent BGM65HH (hydrogen-hybrid), due to be launched in 2026. The latter will be powered by the hydrogen fuel cells used for the America's Cup tender, combined in a pilot project with Volvo Penta's new hybrid engines, and will enable long sailing in zero emission mode.

We also put our best efforts into consolidating the supply chain and developing high value-added services to our customers. From this point of view, 2022 was a very significant year, with the investment in companies in the supply chain, already our strategic partners in the realisation of important stages of the production chain, and with the acquisition of Equinoxe, one of the leading players in the charter sector, to create the Sanlorenzo Charter Fleet, the world's first monobrand charter programme.

I would also like to recall the ESG issue that, in addition to the environmental aspects of products, regards production processes with the extension of photovoltaic systems on our shipyards, and involves the social role of the company. Our focus is first and foremost on our employees, which reached over 760 in 2022. The commitment to enhance our human capital resulted in listening and sharing initiatives, an almost doubling of training hours compared to the previous year (over 6,000 hours provided), and a significant increase in the performance bonus. In addition, in view of the cost-of-living increase in 2022, an additional monthly payment was made in October to those employees most affected by the inflationary scenario.

I am also pleased to mention the establishment in 2022 of the Fondazione Sanlorenzo, which, in affinity with the human values, work culture and corporate social responsibility that characterise the history of Sanlorenzo, aims to support Italy's minor islands and improve the economic and social conditions of the communities living there.

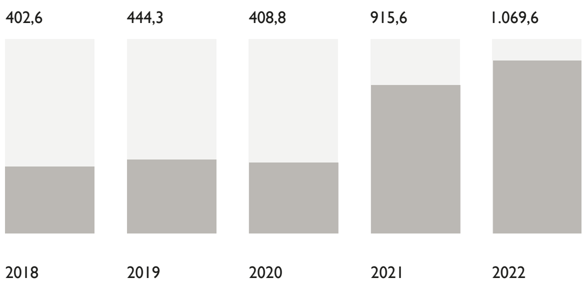
In concluding this letter of mine, I cannot but renew my heartfelt thanks to you, the Shareholders, and all stakeholders for the trust you have placed in our project. Personally and together with the entire Sanlorenzo team, without whose contribution it would not even have been possible to imagine the results achieved, we will invest all our energy not to disappoint your expectations and, if possible, to keep exceeding them.

Mr. Massimo Perotti
Chairman and Chief Executive Officer

financial highlight[1]

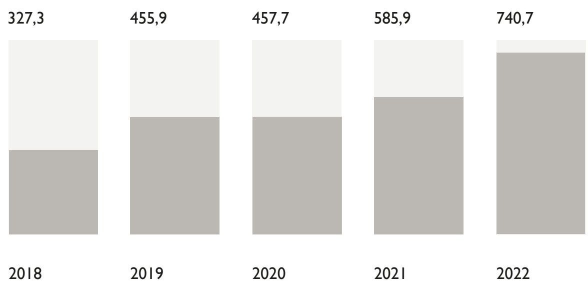
BACKLOG

(Euro millions)



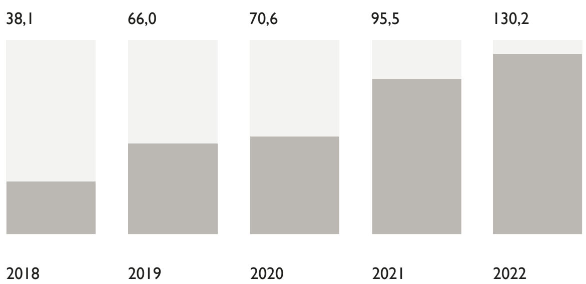
NET REVENUES NEW YACHTS

(Euro millions)



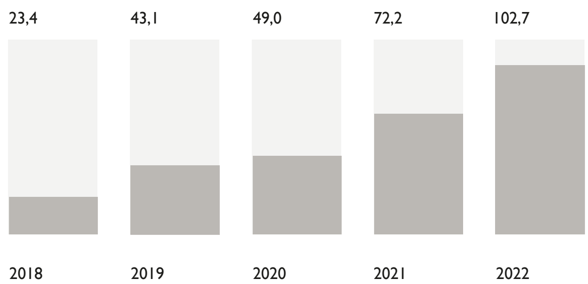
ADJUSTED EBITDA

(Euro millions)



EBIT

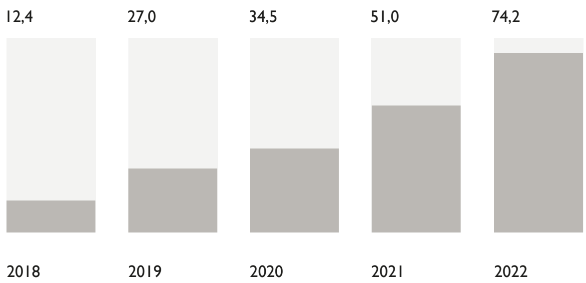
(Euro millions)



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

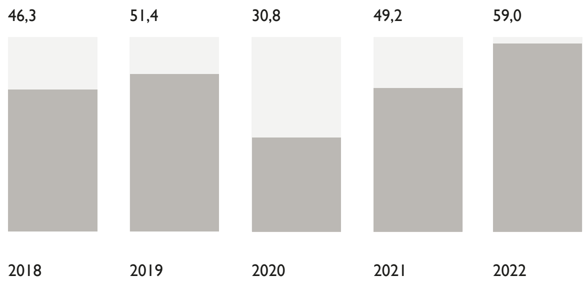
GROUP NET PROFIT

(Euro millions)



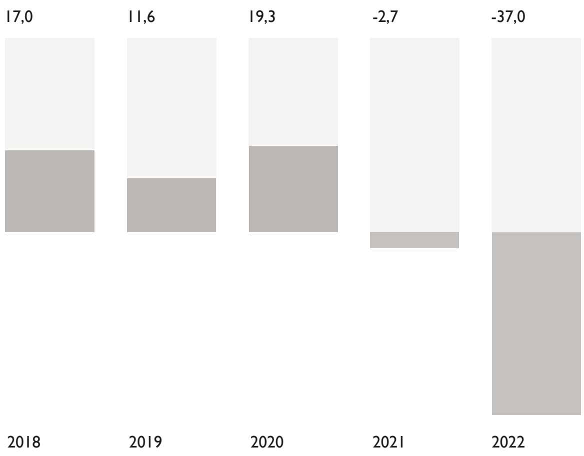
INVESTMENTS

(Euro millions)



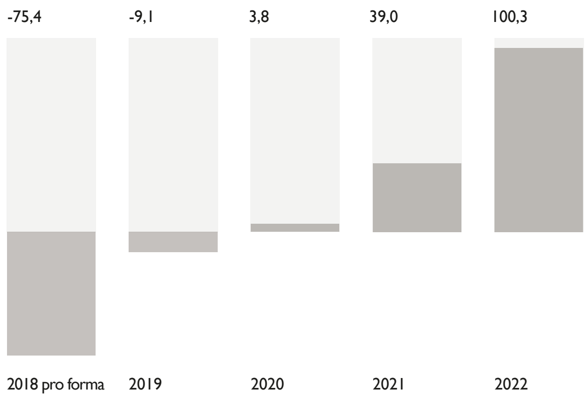
NET WORKING CAPITAL

(Euro millions)



POSIZIONE FINANZIARIA NETTA

(Euro millions)



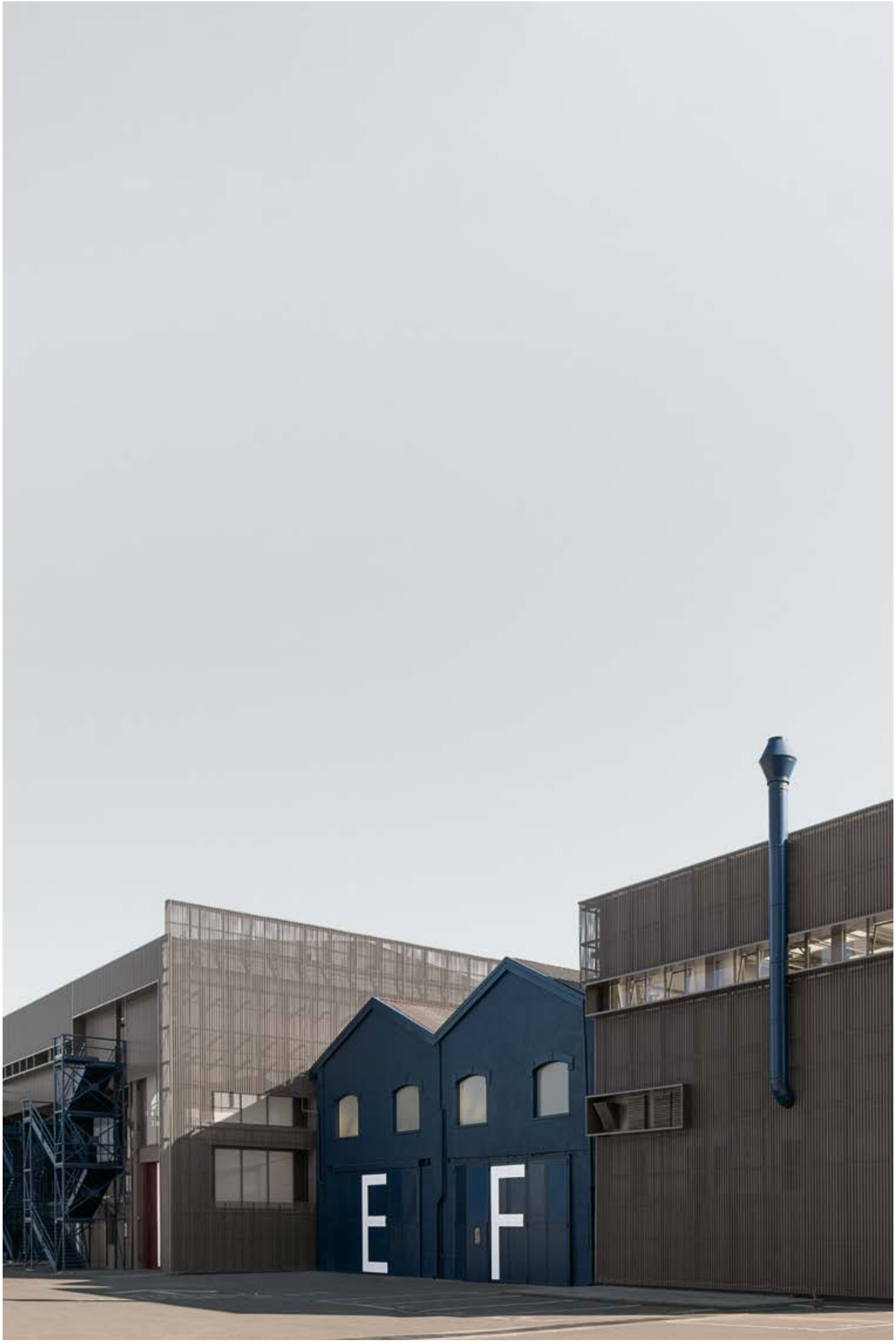
corporate bodies

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

2 *Appointed by the Ordinary Shareholders' Meeting on 28 April 2022; it will remain in office until the date of the Shareholders' Meeting called to approve the separate financial statements at 31 December 2024. It should be noted that Marco Viti, appointed by the Shareholders' Meeting of 28 April 2022, resigned from the position of executive director on 30 May 2022, serving non-executive director until 26 August 2022. In addition, Pietro Gussalli Beretta has resigned from the position of non-executive director with effect from 27 April 2023.*

3 *Appointed by the Ordinary Shareholders' Meeting on 28 April 2022; it will remain in office until the date of the Shareholders' Meeting called to approve the separate financial statements at 31 December 2024.*

4 *Appointed by the Ordinary Shareholders' Meeting on 23 November 2019 for nine financial years from 2019 to 2027.*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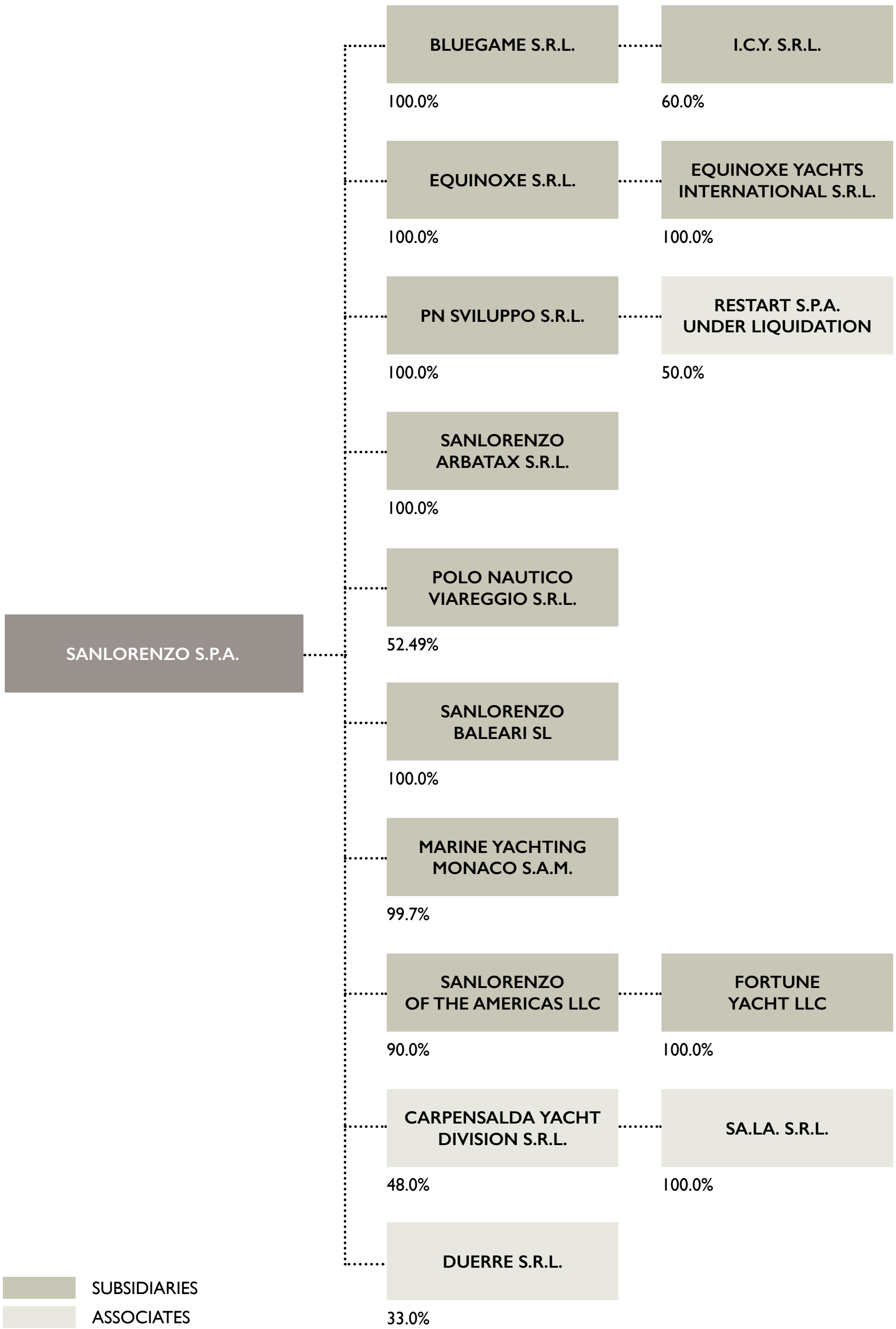
F

group structure

COMPANY ORGANISATIONAL CHART AS AT 31 DECEMBER 2022



COMPOSITION OF THE GROUP AS AT 31 DECEMBER 2022

Company name	Registered Office
Sanlorenzo S.p.A. - Parent company	Ameglia (SP) – Italy
Subsidiaries	
Bluegame S.r.l.	Ameglia (SP) – Italy
Equinoxe S.r.l.[5]	Turin (TO) – Italy
Equinoxe Yachts International S.r.l.	Turin (TO) – Italy
PN Sviluppo S.r.l.	Viareggio (LU) – Italy
I.C.Y. S.r.l. [6]	Adro (BS) – Italy
Polo Nautico Viareggio S.r.l.	Viareggio (LU) – Italy
Sanlorenzo Arbatax S.r.l.[7]	Ameglia (SP) – Italy
Sanlorenzo Baleari SL	Puerto Portals, Mallorca – Spain
Marine Yachting Monaco S.A.M.	Monte-Carlo – Principality of Monaco
Sanlorenzo of the Americas LLC	Fort Lauderdale (FL) – USA
Fortune Yacht LLC	Fort Lauderdale (FL) – USA
Associates	
Carpensalda Yacht Division S.r.l.	Livorno (LI) – Italy
Duerre S.r.l.	Vicopisano (PI) – Italy
Restart S.p.A. in liquidation [8]	Milan (MI) – Italy
Sa.La. S.r.l.	Viareggio (LU) – Italy

[5] *On 19 December 2022, Sanlorenzo S.p.A. acquired a 100% stake in Equinoxe S.r.l., which in turn controls Equinoxe Yachts International S.r.l. with a 100% stake. For further details, please refer to the paragraph "Significant events during the year".*

[6] *On 20 July 2022, Bluegame acquired a 60% stake in I.C.Y. S.r.l. For further details, please refer to the paragraph "Significant events during the year".*

[7] *Company incorporated on 14 October 2022 by Sanlorenzo S.p.A.*

[8] *Company put into liquidation on 23 December 2022.*

the main stages in the history of Sanlorenzo

1958-1972: the foundation

The history of Sanlorenzo began in **1958**, when Gianfranco Cecchi and Giuliano Pecchia started the construction of pleasure boats on the banks of the river in Limite sull'Arno, a village near Florence and one of the most important Italian naval centres since the 18th century. The name, the result of a coincidence, recalls the homonymous saint to whom the square where the two shipwrights went for the formalisation of the documents is dedicated.
With the reduction in the flow of the Arno River in the fifties and the beginning of the growth in size of yachts, the shipwrights moved to Viareggio, where in **1960** the company "Cantiere San Lorenzo di Cecchi Gianfranco e C. s.n.c." was established.

1972-2004: the creation of the myth

In **1972**, Giovanni Jannetti took over the company and opened a new shipyard in Viareggio. Under his guidance, the Sanlorenzo brand became synonymous with absolute excellence in terms of refinement, attention to detail and recognisable external lines.

In **1985**, the SL57 model was presented, the shipyard's first fiberglass yacht. The following years saw the introduction of larger models in composite, until **1995**, when, with the launch of the first 30-meter SL100, Sanlorenzo entered the superyacht segment.

In **1999**, Sanlorenzo moved to Ameglia (La Spezia), inside the Montemarcello-Magra-Vara Regional Natural Park. The Shipyard is certified UNI EN ISO 14001, to guarantee the maximum respect of the environment during the production process.

2005-2018: the new phase of development

In **2005**, Massimo Perotti acquires from Giovanni Jannetti the majority share of the company, which is renamed "Sanlorenzo S.p.A.", starting a new phase of commercial development at global level.
Sanlorenzo opens a second office in Viareggio and launches a second division in **2007**, starting the production of new product lines, always keeping faith with the concept of a customised yacht in interior and exterior fittings. With the launch of the first SD92, the SD line of semi-displacement hull yachts was introduced. That same year, the first metal superyacht, the 40Alloy, was launched, winning the ShowBoats Design Award and two World Superyacht Awards from Boat International.
In **2008**, a subsidiary in the United States, Sanlorenzo of the Americas LLC, was established, thus consolidating business relationships and customer service in the Americas area. Sanlorenzo launched the first SD122, which wins Boat International's World Superyacht Award, and the first SL104, which is awarded the ADI Italian Innovation Award.
In **2010**, the first steel displacement vessel, the 46Steel, was launched.
In **2011**, the first SL118 was launched, the new flagship of the fiberglass production and Sanlorenzo became the third shipyard in the world in the production of yachts over 24 meters[9], first as a monobrand, reaching second place in **2014**[10].
In **2015**, the first two 460Exp, models in the new Explorer Line, were launched, as well as the first SL86.
In **2016**, Sanlorenzo inaugurated the La Spezia plant dedicated to the production of metal superyachts.
In **2017**, Sanlorenzo started production of composite semi-finished products at its current facilities in Massa, later acquired in 2020.
At the product level, **2017** saw the launch of the 52Steel, the fleet flagship, and the SX88, followed the following year by the introduction of the SX76 first asymmetric model (SL102 Asymmetric) and the 500Exp. Also in **2018**, the company acquired Bluegame, entering the composite sport utility yacht segment and introducing a third division.

[9] *Source: Global Order Book 2011, Boat International.*
[10] *Source: Global Order Book 2014, Boat International.*

EMARKET SDIR CERTIFIED

2019-2022: Sanlorenzo today

On 10 December **2019**, the company listed on the Milan Stock Exchange, with the placement of shares on the Euronext STAR Milan segment. The new flagship 64Steel, the first 64-meter superyacht, was launched. Sanlorenzo is confirmed as the world leader in terms of the number of yachts between 30 and 40 meters in length delivered between 2009 and 2019[11], the second largest shipbuilding group in the world and the largest shipyard operating with a single brand in the segment of yachts over 24 meters[12].
In **2020**, Sanlorenzo inaugurated the new D2 area inside the Ameglia shipyard, including 10,000 square meters of covered areas dedicated to the outfitting of composite yachts between 76 and 100 feet, and introduced new models that expanded the product lines of the three divisions, in particular the SX112, the 62Steel and the BGX60.
In **2021**, Sanlorenzo completed three acquisitions of industrial infrastructure adjacent to the company's shipyards, dedicated to further expanding production capacity. The commitment to reducing the impact of yachts on the marine ecosystem remains strong, with the signing in September of an exclusive agreement with Siemens Energy for the development of solutions for the integration of fuel cell technology in the 24-80 metre yachting sector. An example of this is the sale of the first 72Steel diesel electric, the largest superyacht ever built by the shipyard, which confirms Sanlorenzo's increasing focus on the future and leadership in the sector.
In **2022,** Sanlorenzo launches the new SP ("Smart Performance") line and enters the sport coupé segment with a proposal that allows the achievement of high performance with the use of low environmental impact technologies. In July, Bluegame and New York Yacht Club American Magic, challenger in the America's Cup edition to be held in Barcelona in 2024, sign an agreement for the design and construction of the first "chase boat" with exclusively hydrogen propulsion and zero emissions, which will be built according to the strict requirements of the protocol of the event. In December, Equinoxe S.r.l. and its subsidiary Equinoxe Yachts International S.r.l., a leading company in charter services, were acquired.

11 *Source: The Superyacht Times, November 2019.*
12 *Source: Global Order Book 2020, Boat International.*

the group today

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

- the Yacht Division (dedicated to the design, manufacturing and marketing of composite yachts between 24 and 38 metres long, under the Sanlorenzo brand);
- the Superyacht Division (dedicated to the design, manufacturing and marketing of superyachts in aluminium and steel between 40 and 73 metres long, under the Sanlorenzo brand);
- the Bluegame Division (dedicated to the design, manufacturing and marketing of composite sport utility yachts between 13 and 23 metres long, under the Bluegame brand).

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

THE PRODUCT RANGES

The divisions produce the following lines of yacht:

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

The table below shows the total numbers of yachts delivered in the year ended 31 December 2022, compared with 31 December 2021, for each division.

	Year ended 31 December				Change	
	2022	% of total	2021	% of total	2022 vs. 2021	2022 vs. 2021%
Yacht Division	59	61.5%	54	65.1%	5	+9.3%
Superyacht Division	5	5.2%	7	8.4%	(2)	-28.6%
Total Sanlorenzo	**64**	**66.7%**	**61**	**73.5%**	**3**	**+4.9%**
Bluegame Division	32	33.3%	22	26.5%	10	+45.5%
Group total	**96**	**100%**	**83**	**100.0%**	**13**	**+15.7%**

Yacht Division

SL Line

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


78


96A


86


106A


90A


120A

SD Line

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

The SD Line includes four models ranging from 28 to 38 metres in length, including the SD90/s model launched in 2022 and characterised by high environmental sustainability criteria.

90/s

96

118

126

SX Line

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

76

88

112

SP Line

The SP Line, introduced in 2022 with the first SP110 model, sees Sanlorenzo's entry into the sport coupé segment with a highly innovative proposal that allows the achievement of high performance, and in particular up to 40 knots of speed, with the use of low environmental impact technologies.

110

Superyacht Division

Alloy Line

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

44

Steel Line

The Steel Line, introduced by Sanlorenzo in 2010, represents the classic line of Superyacht Division and includes yacht models with length from 50 to 73 metres, displacement hull made of steel - a extremely rigid and robust material - and aluminium superstructure laid out over 5/6 decks.

50

52

58

64

72

Explorer Line

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

500

X-Space Line

The X-Space Line will include two models, the first one will be the 44 X-Space (44 metres long), which will be presented at the Monaco Yacht Show in September 2023 in worldwide preview.

The 44 X-Space, entry-level of the new metal range, will be characterised by large volumes, ample space on board, flexibility and high autonomy.

44

Bluegame Division

BG Line

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

BG42

BG54

BG72

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

BGX60

BGX70

BGM Line

The BGM Line will include two models, the first one will be the BGM75 (23 metres long), which will be presented at the Cannes Yachting Festival in September 2023 in worldwide preview.

The production of BGM75 started in 2022, marking the entry of the Group into the multihull segment.

BGM75

SERVICES

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

Sanlorenzo Timeless

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

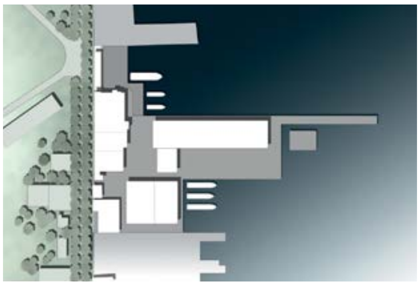
- Refit – replace or upgrade on-board instrumentation and equipment through the use of the latest technology, improving safety and functionality;
- Restyle – renew the design of yachts through targeted interventions on furnishings, replacement of materials and upholstery and design from scratch of spaces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

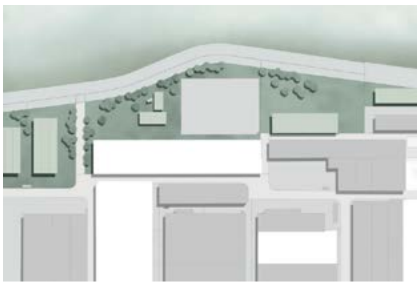
THE SHIPYARDS

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

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

In addition, during 2022, Sanlorenzo S.p.A. acquired, among others: (i) a shed in the Canale dei Navicelli area in Pisa intended for the Superyacht Division, (ii) a shed and a yard intended for garaging activities in the area of the Darsena di Viareggio and (iii) a shed adjacent to the Sanlorenzo shipyards within the Polo Nautico complex in Viareggio while Bluegame acquired a majority stake in the company I.C.Y. S.r.l., its historical partner operating in Cologne (BS).





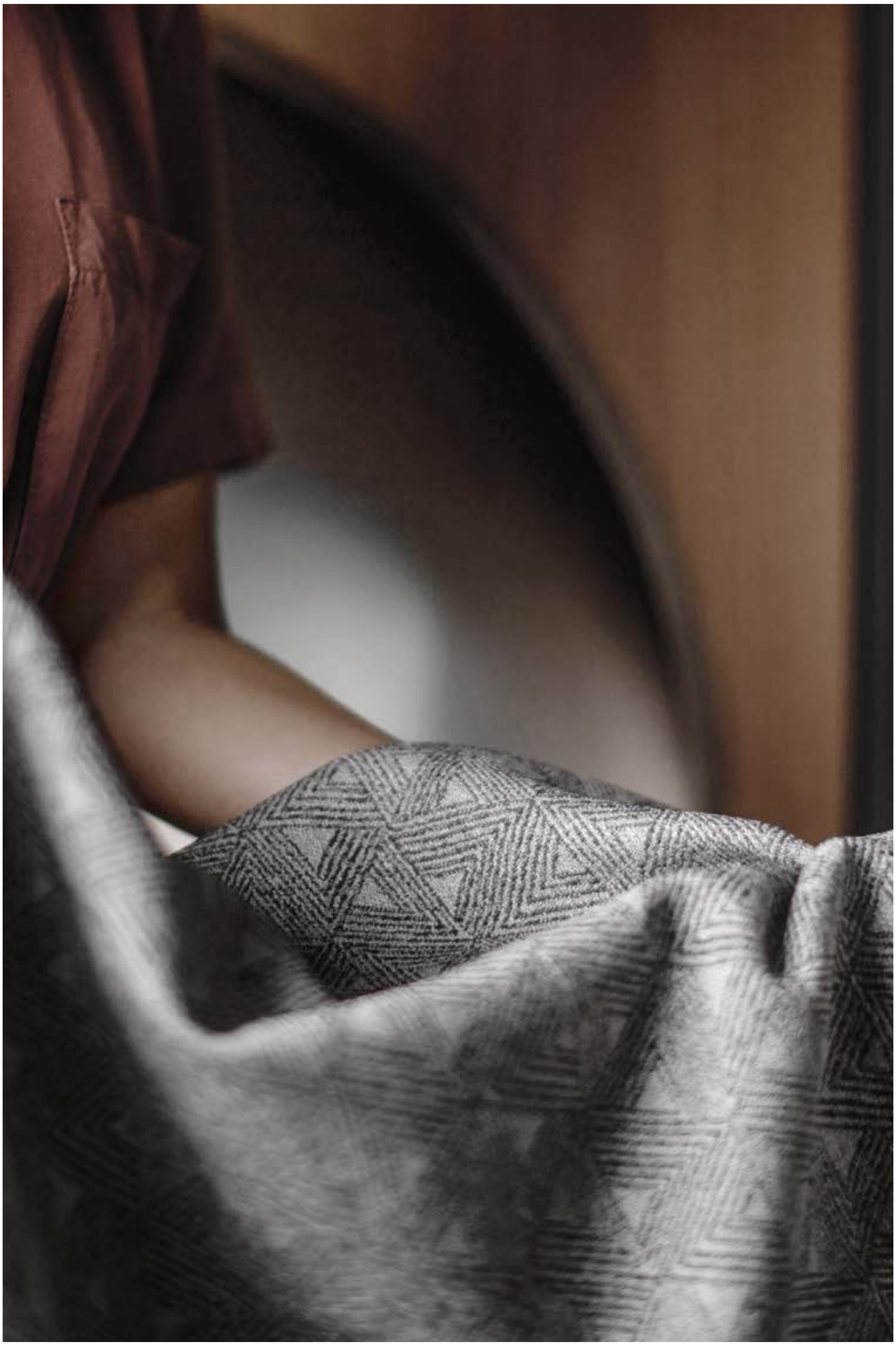
strategy and business model

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

“MADE TO MEASURE”

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

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



“CONNOISSEUR” CUSTOMERS

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

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

Customers belong to the social class of the Ultra High Net Worth Individuals (UHNWIs), characterised by rates of yachting penetration among the lowest in the luxury segment and therefore, strong unexpressed demand potential. This factor, combined with the expansion of demand resulting from the steady increase in the number and wealth of UHNWIs, especially in North America and APAC, represents an ample opportunity for growth, aided by the emotional nature of buying a yacht. The expansion of potential clientele was also accompanied by a significant increase in the propensity to purchase, driven by a renewed search for quality of life in freedom and safety, all needs that a yacht can satisfy. The new connectivity technologies also allow work to be carried out on board and extend the time the owner can spend on board, thus increasing the attractiveness to younger clientele. This trend continued in 2022, confirming the proven resilience of the luxury segment against the macroeconomic context.

PRODUCTION EXCELLENCE AND FLEXIBILITY

The Group's yachts are created with attention to every detail, in order to maximise quality and comfort for the customer.
The high quality of the features is also guaranteed by long-standing relationships with highly-skilled local handcraft employed in the production process. The Group relies on a network of thousands of specialist contractors, part of an ecosystem of artisan businesses with a long history, largely located on the coast of the Tyrrhenian Sea between La Spezia and Viareggio, a genuine district of nautical excellence.
Thanks to this business structure, unique in the nautical sector, the Group can offer the flexible execution needed to keep the "made to measure, hand-made, well-made" promise for every one of its yachts. The marked outsourcing of the production process, which translates into a wide flexibility of production costs, has allowed the Group a strong resilience even during unfavourable economic times.
Starting from 2022, the Group has embarked on a verticalisation strategy in key production chains, through partnerships and minority investments in strategic suppliers aimed at ensuring the supply of strategic materials and processes, increasing production capacity, as well as agility and flexibility of production processes, maintaining rigorous quality control and extending the Sanlorenzo Group's standards of responsibility and sustainability to the supply chain. The minority investments in the capital of key suppliers such as Carpensalda Yacht Division S.r.l., active in the metal carpentry sector, and in Duerre S.r.l., an artisan manufacturer of high quality furnishings, and the acquisition of 60% of I.C.Y. S.r.l., a long-standing partner of Bluegame, operations concluded in 2022, are part of this strengthening programme in strategic supply chains.
For further details, please refer to the paragraph "Significant events during the year" of this Report on Operations.

DESIGN AND SUSTAINABLE TECHNOLOGICAL INNOVATION OF YACHTS

The strength of the product is the result of the Group's ability to create yachts that stand out for their iconic and timeless design and that represent the result of the customer-focused customisation process.
Its yacht range is also extensive and diversified in terms of the size and materials used, as well as the characteristics of the various lines, in order to meet the needs of highly sophisticated customers. Thanks to constant investments in research and development, the fleet presents a high degree of innovation which, combined with an iconic and timeless nautical design, makes every yacht produced by the Group immediately recognisable at sea.
During 2022, the Group introduced the SP110, the first model in the new Smart Performance range, and the SD90/s for the Yacht Division and expanded the BG Line with the BG54.
The robust plan to expand the product ranges includes the launch, in 2023, of two new lines characterised by new functionalities and transversal to different market segments and strongly inspired by sustainability criteria:

- the X-Space Line for the Superyacht Division, with the 44-metre-long model, entry-level of the metal range, characterised by large volumes, ample space on board, flexibility and high autonomy;
- the BGM Line for the Bluegame Division, with which the Group enters the multihull segment with a luxury proposal characterised by extremely low consumption.

In addition to the launch of new ranges, the extension of the existing lines is planned for 2023, starting with the presentation of the new SX100 model of the acclaimed Sanlorenzo crossover line.
Sustainability is at the heart of the development of the new models in an ambitious programme that sees, for the first time in the nautical sector, the application of technologies focused on the marine use of hydrogen fuel cells, which will allow the progressive reduction of environmental impact to neutrality, the true answer to the demand for sustainability in the yachting sector.
Thanks to the exclusive agreement signed in 2021 with Siemens Energy, the yacht segment above 40 metres in length will initially see the integration of fuel cells powered by hydrogen obtained from methanol via an on-board power generation reformer on a 50Steel superyacht scheduled for delivery in 2024.

This will be followed in 2028 by the delivery of the first Sanlorenzo superyacht of between 50 and 60 metres in length in which, by virtue of the very important exclusive agreement signed in August 2022 with Rolls-Royce Solutions GmbH - Global Marine (MTU), propulsion through methanol-fuelled main engines will be added to the generation of electricity on board via fuel cells.
This will be green methanol, produced with electricity from renewable sources and with CO_2 captured from the atmosphere; the amount of CO_2 released into the air in the combustion process is equivalent to the amount removed from the environment for the production of methanol, enabling "carbon neutral" power generation.
The segment of yachts under 24 metres in length will see Bluegame engaged in the design and construction of the first "chase boat" with exclusively hydrogen propulsion and use of foils to reach 50 knots and a range of 180 miles at zero emissions, alongside American Magic, challenger in the 2024 edition of the America's Cup.
Building on its experience in this extremely complex project, now the highest possible expression of sustainable technology on board a vessel, Bluegame is developing the BGM65HH (hydrogen-hybrid) model, to be launched in 2026. This will be powered by the hydrogen fuel cells used for the America's Cup tender, combined in a pilot project with the new Volvo Penta hybrid engines, allowing zero emission long trips.

COLLABORATIONS WITH WORLD-RENOWNED DESIGNERS AND ARCHITECTS

Sanlorenzo works closely with world-renowned designers and architects on both creating the external features of the yachts and on designing the layout and furnishing of the exteriors and the interiors.

To create the external features of the yachts, the Group relies on a single design firm, currently the Zuccon International Project practice, to ensure uniformity and maintain its own distinctive features.

For the layout and fitting of the exteriors and interiors, for more than ten years the Group has maintained strong partnerships with world-renowned architects and designers: these participate in the creation of the first model of each line and make their expertise and professionalism available to owners in building their yachts. These partnerships have involved, among others, Rodolfo Dordoni, Piero Lissoni, Patricia Urquiola, Antonio Citterio and Patricia Viel, John Pawson and Christian Liagre.

The high level of the design and innovation of the yachts that characterise the Group's activities has been recognised by sector operators, owners and the specialised press which, over the years, have awarded the Group's products many awards and recognitions. Notably, in 2022, the superyacht from the Alloy line won the World Superyacht Award and Bluegame's BG72 model won Best Custom Yacht at the Motor Boat Awards.

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

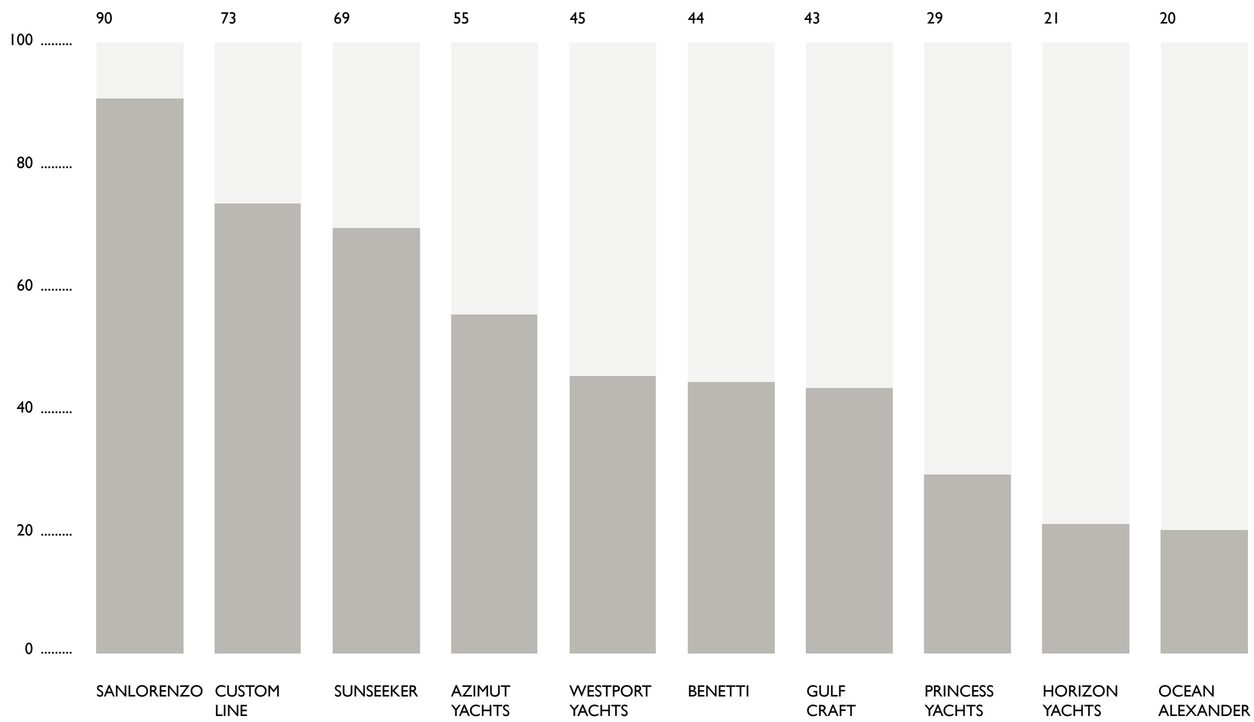
The Group has adopted an experiential communication and marketing strategy, focused on manufacturing exclusivity, high quality, design and elegance of the yachts, combined with the exclusivity of the relationship with the customer, the central focus of a totally personalised and engaging experience.
Among the most important recent initiatives developed in a partnership with Piero Lissoni, we should mention the launch of the Almanac - publications created specifically by various artists on the themes that are the hallmark of Sanlorenzo, which are gifted at the end of each year to owners of Sanlorenzo yachts - and the Log Books of presentation of the Group, the update of the stands at the main global boat trade fairs, and the organisation of the "Elite Days" events, with the participation of customers coming from all over the world.
Initiatives in the world of art and design involving Sanlorenzo include the exclusive agreement for the nautical world with Art Basel on a global level, which sees the participation of Sanlorenzo in the contemporary art events organized every year in Basel, Miami and Hong Kong; and the multi-year collaboration started in 2020 with the Peggy Guggenheim Collection in Venice as Institutional Patron. In addition to these initiatives are the partnership with the LericiPea Golfo dei Poeti Award, the participation and staging of exhibitions by Sanlorenzo at major events such as the Biennale di Venezia and Milan Design Week.
In particular, in 2022, Sanlorenzo was the main sponsor of the Italian Pavilion, curated by Eugenio Viola, at the 59th International Art Exhibition of the Venice Biennale and participated in the Milan Design Week FuoriSalone with the FABBRICA project by Piero Lissoni: more confirmations of the artistic sensitivity of Sanlorenzo, which interweaves its path with the world of contemporary art and its languages.

competitive positioning of the brand

Sanlorenzo is the leading brand at the world level in terms of number of yachts between 30 and 40 metres delivered between 2009 and 2019[13], with a market share of 18%[14].

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

As per early october 2019



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

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

In the annual ranking of the Global Order Book prepared by the magazine Boat International, Sanlorenzo was confirmed as the first monobrand yacht builder in the world for the production of yachts and superyachts over 24 metres and the second yacht builder in the world, with 128 yachts under construction in 2022 equivalent to 4,577 metres in length.[15]

TOP BUILDERS BY TOTAL LENGTH OF CONSTRUCTION

2023 RANK	COMPANY	TOTAL LENGTH (M)	NUMBER OF PROJECTS	AVERAGE LENGTH (M)	NUMBER OF PROJECTS 2022	2022 RANK
1	Azimut - Benetti	5.991	168	35.7	128	1
2	**Sanlorenzo**	**4.577**	**128**	**35.8**	**117**	**2**
3	Ocean Alexander	2.382	73	32.6	47	3
4	Feadship*	1.672	N/A	N/A	N/A	4
5	Princess Yachts	1.588	63	25.2	N/A	N/A
6	Sunseeker	1.443	53	27.2	N/A	N/A
7	Lürssen*	1.233	11	112.1	9	5
8	The Italian Sea Group	1.149	21	54.7	12	8
9	Damen Yachting	1.022	15	68.1	13	7
10	Overmarine	1.017	25	40.7	24	6
11	Horizon	825	29	28.4	24	9
12	Palumbo	768	18	42.7	12	15
13	Baglietto	749	16	46.8	14	10
14	Viking Yachts*	681	26	26.2	22	13
15	Heesen Yachts	634	11	57.6	11	11

(*) data only partially shared by the site.

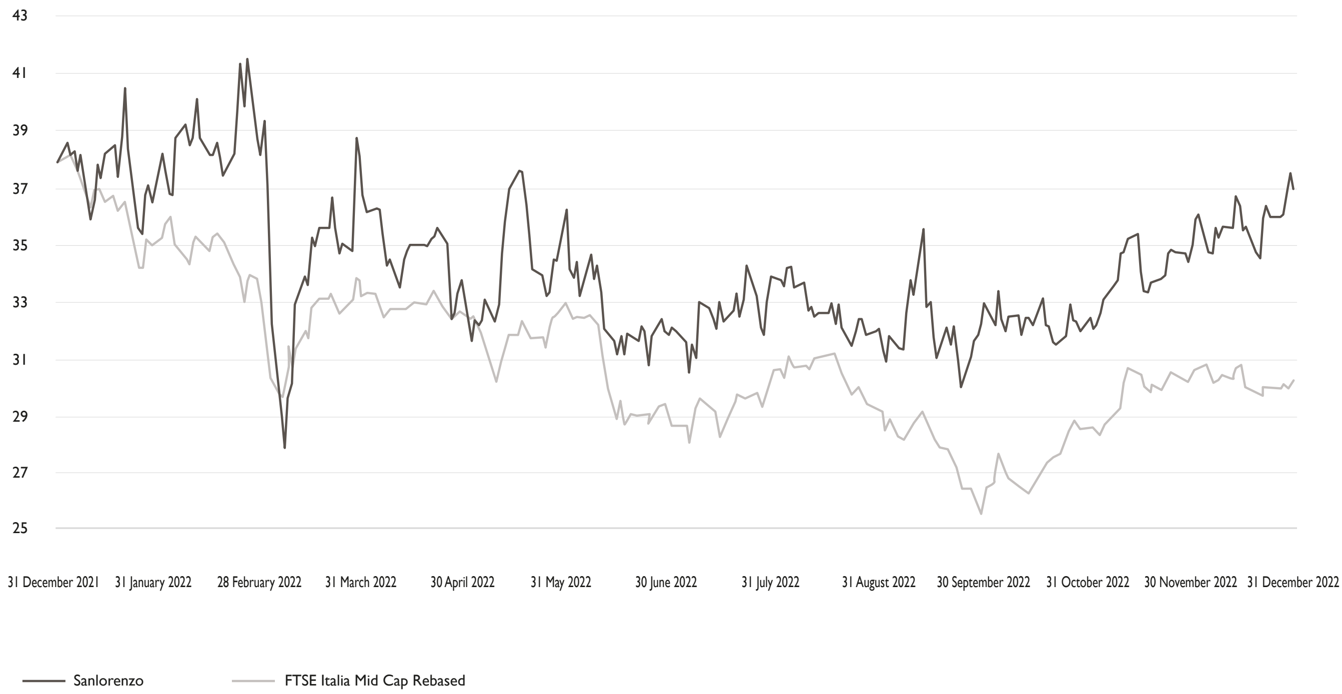
15 *Source: Global Order Book 2023, Boat International, December 2022.*

Sanlorenzo on the stock exchange

SHARE PERFORMANCE

On 10 December 2019, the trading of the Company's shares on the Euronext STAR Milan organised and managed by Borsa Italiana S.p.A. began. The initial offer price was €16.00 per share.
The following table and graph show the performance of the shares in 2022.

	Euro	Date
IPO price	16.00	10 December 2019
Minimum closing price	27.90	8 March 2022
Maximum closing price	41.50	25 February 2022
Closing price	36.95	30 December 2022
Number of shares	34,784,089	30 December 2022
Capitalisation	1,285,272,089	30 December 2022



During 2022, the Sanlorenzo share recorded a change of -2.51%, against a decrease in the FTSE Italia Mid Cap indicator of -21.0%.
As at 30 December 2022, the closing price of the shares was €36.95 and the market capitalisation amounted to €1,285 million, based on the updated share capital as at 30 December 2022. During January and February 2023, share capital was further increased as a result of option exercises related to the 2020 Stock Option Plan, and includes 34,810,125 shares as at 28 February 2023.
During 2022, dialogue with the financial community (investors, analysts) continued more frequently than in the previous year. The Group's management and the Investor Relations team participated in industry conferences, road shows in the world's major financial centres and meetings and calls with fund managers, buy side and sell side analysts.

SHAREHOLDING STRUCTURE

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

Shareholder	No. of ordinary shares	%
Holding Happy Life S.r.l. (Massimo Perotti)	21,162,564	60.84%
Treasury shares	123,202	0.35%
Market	13,498,323	38.81%
TOTAL	**34,784,089**	**100.0%**

Update: 31 December 2022

As at 27 June 2021, increased voting rights were granted to a total of 20,837,128 ordinary shares of the Company, of which 20,669,128 are owned by Holding Happy Life S.r.l., with 75.4% of total voting rights at 31 December 2022 (including shares without increased vote).

FINANCIAL CALENDAR

Data	Evento
09 February 2023	Board of Directors' Meeting Approval of the consolidated preliminary figures as at 31 December 2022
14 March 2023	Board of Directors' Meeting Approval of the draft financial statements and of the consolidated financial statements as at 31 December 2022 and of the 2023-2025 business plan
27 April 2023	Shareholders' Meeting Approval of the draft financial statements and consolidated financial statements as at 31 December 2022
11 May 2023	Board of Directors' Meeting Approval of the periodic financial information as at 31 March 2023
03 August 2023	Board of Directors' Meeting Approval of the half-yearly financial report as at 30 June 2023
09 November 2023	Board of Directors' Meeting Approval of the periodic financial information as at 30 September 2023

EMARKET SDIR CERTIFIED

II

REPORT ON OPERATIONS
SECTION TWO

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SANLORENZO

introduction

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

main alternative performance indicators

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

- Backlog: It is calculated as the sum of the value of the orders and sales contracts signed with customers or brand representatives relating to yachts for delivery or delivered in the current financial year or for delivery in subsequent financial years. For each period, the value of the orders and contracts included in the backlog refers to the relative share of the residual value from 1 January of the year in question until the delivery date. The backlog related to the revenues acquired during the year is conventionally cleared on 31 December.
- Net revenues new yachts: They are calculated as the algebraic sum of revenues from contracts with customers relating to the sale of new yachts (recognised over time with the "cost-to-cost" method) and pre-owned yachts, net of the selling expenses relating to commissions and trade-in costs of pre-owned yachts.
- EBITDA: It is the Operating profit/loss (EBIT) before amortisation/depreciation.
- EBITDA margin: Indicates the ratio of EBITDA to Net Revenues New Yachts;
- Adjusted EBITDA: It is the Operating profit/loss (EBIT) before amortisation/depreciation adjusted for non-recurring items.

- Adjusted EBITDA margin: It is the ratio of Adjusted EBITDA to Net Revenues New Yachts.
- Net fixed capital: It is calculated as the sum of goodwill, intangible assets, property, plant and equipment and net deferred tax assets, net of the corresponding non-current provisions.
- Net Working Capital: It is calculated as the sum of trade receivables, contract assets, inventories and other current assets, net of trade payables, contract liabilities, provisions for current risks and charges and other current liabilities.
- Net trade working capital: It is calculated as the sum of trade receivables, contract assets and inventories, net of trade payables and contract liabilities.
- Net invested capital: It is calculated as the sum of net fixed capital and net working capital.
- Investments: They refer to increases in property, plant and equipment and intangible assets, net of the carrying amount of related disposals.
- Net financial position: It is calculated on the basis of guidelines issued by ESMA and reported in ESMA document 32-382-1138 of 4 March 2021 (Consob Warning Notice no. 5/21 for Consob Communication DEM/6064293, 28 July 2006), as the sum of liquidity (including cash equivalents and other current financial assets), net of current and non-current financial indebtedness, including the fair value of hedging derivatives. If positive, it indicates a net cash position.

operating performance of Sanlorenzo group

BACKLOG PERFORMANCE

(€'000)	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Gross backlog	1,810,298	1,501,534	308,764	+20.6%
Net Revenues New Yachts for the period	740,679	585,902	154,777	+26.4%
Net backlog	**1,069,619**	**915,632**	**153,987**	**+16.8%**
Of which next year	*617,394*	*544,060*	*73,334*	*+13.5%*
Of which subsequent years	*452,225*	*371,572*	*80,653*	*+21.7%*

As at 31 December 2022, gross backlog amounted to €1,810,298 thousand, compared to €1,501,534 thousand as at 31 December 2021. The increase compared to the same date in 2021 was €308,764 thousand.

(€'000)	Backlog				
	1° January[16]	31 March	30 June	30 September	31 December
Backlog 2022	**915,632**	**1,178,029**	**1,402,774**	**1,651,224**	**1,810,298**
of which current year	*544,060*	*628,110*	*671,272*	*724,187*	*740,679*
of which subsequent years	*371,572*	*549,919*	*731,502*	*927,037*	*1,069,619*
Backlog 2021	**408,761**	**553,411**	**810,740**	**1,191,876**	**1,501,534**
of which current year	*305,072*	*409,899*	*497,982*	*570,646*	*585,902*
of which subsequent years	*103,689*	*143,512*	*312,758*	*621,230*	*915,632*

[16] *Opening the current year with the net backlog as at 31 December of the previous year.*

(€'000)	Change (order intake)				
	Q1	Q2	Q3	Q4	Total 12M
Order intake 2022	**262,397**	**224,745**	**248,450**	**159,074**	**894,666**
of which current year	*84,050*	*43,162*	*52,915*	*16,492*	*196,619*
of which subsequent years	*178,347*	*181,583*	*195,535*	*142,582*	*698,047*
Order intake 2021	**144,650**	**257,329**	**381,136**	**309,658**	**1,092,773**
of which current year	*104,827*	*88,083*	*72,664*	*15,256*	*280,830*
of which subsequent years	*39,823*	*169,246*	*308,472*	*294,402*	*811,943*

The order intake of the fourth quarter equal to €159,074 thousand added to €735,592 thousand of the first nine months of the year, for a total of €894,666 thousand of new orders collected during 2022. Extremely positive was the trend at the boat shows held in 2022, which recorded a strong turnout of mainly European and American customers and great commercial success for the new models presented. In particular, during the three events held in Cannes, Genoa and Monaco, numerous negotiations were concluded and contacts for future sales were initiated.

Backlog as at 31 December 2022, cleared from Net Revenues New Yachts realised during the year, amounted to €1,069,619 thousand, an increase of €153,987 thousand compared to the figure as at 31 December 2021.

Even before the beginning of the year, the amount of the backlog referring to 2023, amounting to €617,394 thousand, allows for an extremely high coverage of the expected revenues in the current year (83.4% if calculated on 2022 revenues).

The visibility of revenues in subsequent years, with orders for €452,225 thousand beyond 2023, reached an all-time high, both in absolute value and as a proportion of the total order backlog, favoured by the increase in the average size of yachts and the general lengthening of delivery dates – sold-out until 2026 for superyachts –, a phenomenon that, following the significant order intake of the last two financial years, is also extended to smaller size models.

CONSOLIDATED ECONOMIC RESULTS

Reclassified income statement

(€'000)	Year ended 31 December				Change	
	2022	% Net Revenues New Yachts	2021	% Net Revenues New Yachts	2022 vs. 2021	2022 vs. 2021%
Net Revenues New Yachts	**740,679**	**100.0%**	**585,902**	**100.0%**	**154,777**	**+26.4%**
Revenues from maintenance and other services	10,453	1.4%	5,410	0.9%	5,043	+93.2%
Other income	7,412	1.0%	5,488	0.9%	1,924	+35.1%
Operating costs	(628,323)	(84.8)%	(501,257)	(85,6)%	(127,066)	+25.3%
Adjusted EBITDA	**130,221**	**17.6%**	**95,543**	**16.3%**	**34,678**	**+36.3%**
Non-recurring costs	(583)	(0.1)%	(916)	(0.1)%	333	-36.4%
EBITDA	**129,638**	**17.5%**	**94,627**	**16.2%**	**35,011**	**+37.0%**
Amortisation, depreciation and impairment losses	(26,909)	(3.6)%	(22,440)	(3.8)%	(4,469)	+19.9%
EBIT	**102,729**	**13.9%**	**72,187**	**12.4%**	**30,542**	**+42.3%**
Net financial expense	(545)	(0.1)%	(1,160)	(0.2)%	615	-53.0%
Adjustments to financial assets	95	–	(21)	–	116	-552.4%
Pre-tax profit	**102,279**	**13.8%**	**71,006**	**12.2%**	**31,273**	**+44.0%**
Income taxes	(27,540)	(3.7)%	(19,655)	(3.4)%	(7,885)	+40.1%
Net profit	**74,739**	**10.1%**	**51,351**	**8.8%**	**23,388**	**+45.5%**
Net (profit)/loss attributable to non-controlling interests	(585)	(0.1)%	(344)	(0.1)%	(241)	+70.1%
Group net profit	**74,154**	**10.0%**	**51,007**	**8.7%**	**23,147**	**+45.4%**

Net Revenues New Yachts

(€'000)	Year ended 31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Revenues from the sale of boats	800,581	682,560	118,021	+17.3%
Selling expenses	(59,902)	(96,658)	36,756	-38.0%
Net Revenues New Yachts	**740,679**	**585,902**	**154,777**	**+26.4%**

Net Revenues New Yachts for 2022 amounted to €740,679 thousand, up 26.4% compared to €585,902 thousand in the same period of 2021, driven by the excellent performance in Europe and supported by the excellent results of the new models.
In a positive market dynamic, these important results benefit from a favourable mix related to both an increase in volumes, which also led to a growth in the average size of yachts in each business unit, and an increase in average sales prices.

Net Revenues New Yachts by division

(€'000)	Year ended 31 December				Change	
	2022	% of total	2021	% of total	2022 vs. 2021	2022 vs. 2021%
Yacht Division	464,520	62.7%	362,828	62.0%	101,692	+28.0%
Superyacht Division	200,199	27.0%	178,950	30.5%	21,249	+11.9%
Bluegame Division	75,960	10.3%	44,124	7.5%	31,836	+72.2%
Net Revenues New Yachts	**740,679**	**100.0%**	**585,902**	**100.0%**	**154,777**	**+26.4%**

The Yacht Division generated Net Revenues New Yachts of €464,520 thousand, equal to 62.7% of the total, up by 28.0% compared to 2021. The excellent sales results involved all product ranges, in particular the asymmetrical models of the SL and SD lines, with an ever increasing weight of the new SP line.
The Superyacht Division generated Net Revenues New Yachts of €200,199 thousand, equal to 27.0% of the total, up 11.9% compared to 2021, driven by the Steel line, the largest range, and by the new X-Space.
The Bluegame Division recorded Net Revenue New Yachts of €75,960 thousand, or 10.3% of the total, an increase of 72.2% compared to 2021, supported by the newly introduced BG line models and the results of the first sales, even before the launch, of the BGM75, the first model of a very innovative range of multi-hulls.

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Net Revenues New Yachts by geographical area

(€'000)	Year ended 31 December				Change	
	2022	% of total	2021	% of total	2022 vs. 2021	2022 vs. 2021%
Europe	417,268	56.3%	323,303	55.2%	93,965	+29.1%
Americas	171,497	23.2%	136,885	23.4%	34,612	+25.3%
APAC	109,273	14.8%	89,192	15.2%	20,081	+22.5%
MEA	42,641	5.7%	36,522	6.2%	6,119	+16.8%
Net Revenues New Yachts	**740,679**	**100.0%**	**585,902**	**100.0%**	**154,777**	**+26.4%**

Europe is once again the main market, with Net Revenues New Yachts of €417,268 thousand, equal to 56.3% of the total, up by 29.1% compared to 2021. Particularly noteworthy was the result in Italy, with €102,416 thousand in Net Revenues New Yachts recorded in 2022, up 56.8% from the previous year.

The Americas, a strategic area for the growth of the Group, continue to record a strong acceleration in sales compared to the previous year, with Net Revenues New Yachts equal to €171,497 thousand, accounting for 23.2% of the total and up by 25.3% compared to 2021. Notable among others are the results achieved in the United States and Canada.

The APAC area recorded Net Revenues New Yachts of €109,273 thousand, equal to 14.8% of the total, up by 22.5% compared to 2021, driven by sales in Australia and Hong Kong, also following of the easing of the restrictive measures related to the COVID-19.

The MEA area recorded Net Revenues New Yachts of €42,641 thousand, accounting for 5.7% of the total, up by 16.8% compared to 2021.

Operating results

(€'000)	Year ended 31 December				Change	
	2022	% of total	2021	% of total	2022 vs. 2021	2022 vs. 2021%
EBIT	**102,729**	**13.9%**	**72,187**	**12.4%**	**30,542**	**+42.3%**
+ Amortisation, depreciation and impairment losses	26,909	3.6%	22,440	3.8%	4,469	+19.9%
EBITDA	**129,638**	**17.5%**	**94,627**	**16.2%**	**35,011**	**+37.0%**
+ Non-recurring costs	583	0.1%	916	0.1%	(333)	-36.4%
Adjusted EBITDA	**130,221**	**17.6%**	**95,543**	**16.3%**	**34,678**	**+36.3%**

EBIT in 2022 was equal to €102,729 thousand, a 42.3% increase on the previous year, with an incidence of 13.9% on Net Revenues New Yachts, up from 12.4% as at 31 December 2021.
Amortisation/depreciation, equal to €26,909 thousand, rose by 19.9% compared to 2021, in relation to the investments made to increase production capacity and develop new products.
EBITDA stood at €129,638 thousand, with a 37.0% increase on 2021; the incidence on Net Revenues New Yachts was equal to 17.5%
EBITDA, adjusted for non-recurring components of €583 thousand, mainly consisting of non-monetary costs of stock plans and expenses incurred for COVID-19, reached €130,221 thousand, up by 36.3% on 2021; the margin on Net Revenues New Yachts was equal to 17.6%, against 16.3% in 2021.
The steady increase in operating profitability is linked to the change in product mix in favour of larger yachts in each division (yachts above 100 feet and superyachts in the Steel Line from 50 to 73 metres) and the gradual increase in average sales prices started from spring 2021. Profitability also benefited from a higher absorption of fixed costs related to the increase in volumes and efficiencies resulting from the coming on stream of the new production capacity.
The increase in raw material and energy costs, which was limited and in some cases reversed in the fourth quarter, had a limited impact and was more than offset by the increase in sales prices. The procurement of materials and works is managed by diversifying suppliers and favouring multi-year contracts with pre-set prices, also thanks to the optimisation of production planning resulting from the large order backlog and the strategy of verticalisation in key supply chains undertaken as of 2022.

Net profit

(€'000)	Year ended 31 December				Change	
	2022	% Net Revenues New Yachts	2021	% Net Revenues New Yachts	2022 vs. 2021	2022 vs. 2021%
EBIT	**102,729**	**13.9%**	**72,187**	**12.4%**	**30,542**	**+42.3%**
Net financial expense	(545)	(0.1)%	(1,160)	(0.2)%	615	-53.0%
Adjustments to financial assets	95	–	(21)	–	116	-552.4%
Pre-tax profit	**102,279**	**13.8%**	**71,006**	**12.2%**	**31,273**	**+44.0%**
Income taxes	(27,540)	(3.7)%	(19,655)	(3.4)%	(7,885)	+40.1%
Net profit	**74,739**	**10.1%**	**51,351**	**8.8%**	**23,388**	**+45.5%**
Net (profit)/loss attributable to non-controlling interests	(585)	(0.1)%	(344)	(0.1)%	(241)	+70.1%
Group net profit	**74,154**	**10.0%**	**51,007**	**8.7%**	**23,147**	**+45.4%**

Net financial expense for 2022 amounted to €545 thousand, down by 53.0% compared to the previous year, due to the effect of the improved financial conditions applied to the Group by credit institutions, also following the positive renegotiation and refinancing of some credit lines that took place in previous years and, to a lesser extent, thanks to exchange gains and income from active liquidity management.
Pre-tax result for the year reached €102,279 thousand, increasing by €31,273 thousand, from €71,006 thousand as at 31 December 2021. As a percentage of Net Revenues New Yachts reached 13.8% at 31 December 2022 compared to 12.2% in the prior year, an increase of 1.6 percentage points.
Income taxes increased by €7,885 thousand, from €19,655 thousand in 2021 to €27,540 thousand in 2022. Income taxes in 2022 were equal to 26.9% of the pre-tax result, compared to 27.7% in 2021.
Net profit attributable to non-controlling interests, amounting to €585 thousand, refers to the results achieved by subsidiaries.
Therefore, the Group's net profit for the year was €74,154 thousand, up by 45.4% compared to €51,007 thousand recorded in 2021. The margin on Net Revenues New Yachts increased from 8.7% in 2021 to 10.0% in 2022.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Balance sheet reclassified according to sources and uses

(€'000)	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
USES				
Net fixed capital	226,708	192,848	33,860	+17.6%
Net working capital	(36,964)	(2,713)	(34,251)	+1,262.5%
Net invested capital	**189,744**	**190,135**	**(391)**	**-0.2%**
SOURCES				
Equity	290,081	229,141	60,940	+26.6%
(Net financial position)	(100,337)	(39,006)	(61,331)	+157.2%
Total sources	**189,744**	**190,135**	**(391)**	**-0.2%**

Net fixed capital and investments

Net fixed capital

(€'000)	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Goodwill	10,756	8,667	2,089	+24.1%
Other intangible assets	51,374	45,276	6,098	+13.5%
Property, plant and equipment	158,710	134,988	23,722	+17.6%
Equity investments and other non-current assets	11,426	446	10,980	+2,461.9%
Net deferred tax assets	5,495	5,963	(468)	-7.8%
Non-current employee benefits	(1,109)	(1,058)	(51)	+4.8%
Non-current provision for risks and charges	(9,944)	(1,434)	(8,510)	+593.4%
Net fixed capital	**226,708**	**192,848**	**33,860**	**+17.6%**

Net fixed capital at 31 December 2022 amounted to €226,708 thousand, an increase of €33,860 thousand compared to the end of 2021, mainly due to industrial investments and product development made during the year, the change in the scope of consolidation for the acquisition of control of Polo Nautico Viareggio S.r.l., I.C.Y S.r.l., Equinoxe S.r.l. and Equinoxe Yachts International S.r.l., the mergers by incorporation into the Parent Company of Mediterranea Real Estate S.r.l. and Cantiere Tomei 1811 S.r.l., the acquisition of minority interests in Carpensalda Yacht Division S.r.l. and in Duerre S.r.l. and certain loans granted to associated companies, the effects of which are included in the item "Equity investments and other non-current assets".
For more details on the components of Net fixed capital, please refer to the Notes to the consolidated financial statements.

Investments

(€'000)	Year ended 31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Land and buildings	16,721	19,678	(2,957)	-15.0%
Industrial equipment	9,813	8,238	1,575	+19.1%
Plant and equipment	3,269	3,797	(528)	-13.9%
Other assets	6,590	4,663	1,927	+41.3%
Fixed assets in progress	280	1,690	(1,410)	-83.4%
Total changes in property, plant and equipment	**36,673**	**38,066**	**(1,393)**	**-3.7%**
Concessions, licences, trademarks and similar rights	1,277	2,569	(1,292)	-50.3%
Development costs	8,887	6,316	2,571	+40.7%
Intangible assets in progress	3,115	2,262	853	+37.7%
Total changes in intangible assets	**13,279**	**11,147**	**2,132**	**+19.1%**
Total investments on a like-for-like basis	**49,952**	**49,213**	**739**	**+1.5%**
Changes in the scope of consolidation	9,022	–	9,022	–
Net investments in the year	**58,974**	**49,213**	**9,761**	**+19.8%**

On a like-for-like basis, investments in 2022 amounted to €49,952 thousand, up 1.5% from 31 December 2021, and were mainly related to the increase in production capacity to support growth and to product development and research activities related to the introduction of new, highly eco-sustainable models. In particular, the amounts are shown net of the sale of an office building that Sanlorenzo had acquired in September 2021 together with the new production site in Massa, the net residual book value of which, including the equipment forming part of the complex, also sold amounted to €2.1 million. Including the effect of the consolidation of Polo Nautico Viareggio S.r.l., Equinoxe S.r.l., Equinoxe Yachts International S.r.l. and I.C.Y. S.r.l., operations intended to increase the Group's production capacity, investments as at 31 December 2022 amounted to €58,974 thousand, up by 19.8% from the same period in 2021.

The following table shows the breakdown of investments by destination.

(€'000)	Year ended 31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
R&D, product development and production of models and moulds	19,544	17,472	2,072	+11.9%
Increase in production capacity	25,286	26,713	(1,427)	-5.3%
Recurring industrial investments for equipment and facilities	2,552	2,499	53	+2.1%
Other investments	2,570	2,529	41	+1.6%
Total investments on a like-for-like basis	**49,952**	**49,213**	**739**	**+1.5%**
R&D, product development and production of models and moulds	–	–	–	–
Increase in production capacity	9,022	–	9,022	–
Recurring industrial investments for equipment and facilities	–	–	–	–
Other investments	–	–	–	–
Total changes in the scope of consolidation	**9,022**	**–**	**9,022**	**–**
R&D, product development and production of models and moulds	19,544	17,472	2,072	+11.9%
Increase in production capacity	34,308	26,713	7,595	+28.4%
Recurring industrial investments for equipment and facilities	2,552	2,499	53	+2.1%
Other investments	2,570	2,529	41	+1.6%
Net investments in the year	**58,974**	**49,213**	**9,761**	**+19.8%**

Net working capital

(€'000)	As at 31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Inventories	53,444	68,269	(14,825)	-21.7%
Trade receivables	21,784	18,310	3,474	+19.0%
Contract assets	168,635	117,194	51,441	+43.9%
Trade payables	(155,979)	(120,125)	(35,854)	+29.8%
Contract liabilities	(132,369)	(102,948)	(29,421)	+28.6%
Other current assets	60,388	54,337	6,051	+11.1%
Current provisions for risks and charges	(8,039)	(11,380)	3,341	-29.4%
Other current liabilities	(44,828)	(26,370)	(18,458)	+70.0%
Net working capital	**(36,964)**	**(2,713)**	**(34,251)**	**+1,262.5%**

Net working capital as at 31 December 2022 was negative for €36,964 thousand, against a negative value of €2,713 thousand as at 31 December 2021, down by €34,251 thousand.

(€'000)	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Inventories	53,444	68,269	(14,825)	-21.7%
Trade receivables	21,784	18,310	3,474	+19.0%
Contract assets	168,635	117,194	51,441	+43.9%
Trade payables	(155,979)	(120,125)	(35,854)	+29.8%
Contract liabilities	(132,369)	(102,948)	(29,421)	+28.6%
Net trade working capital	**(44,485)**	**(19,300)**	**(25,185)**	**+130.5%**

As at 31 December 2022, net trade working capital was negative for €44,485 thousand compared to a negative value of €19,300 thousand at 31 December 2021, showing a decrease of €25,185 thousand. The trend in net working capital is positively influenced by the cash generation related to the continuous growth of the order book.

(€'000)	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Raw materials and consumables	10,968	8,539	2,429	+28.4%
Work in progress and semi-finished products	34,254	31,760	2,494	+7.9%
Finished products	8,222	27,970	(19,748)	-70.6%
Inventories	**53,444**	**68,269**	**(14,825)**	**-21.7%**

The balance of inventories as at 31 December 2022 was €53,444 thousand, a decrease of €14,825 thousand compared to 31 December 2021.
Work in progress and semi-finished products refer to those jobs whose contract with the customer has still not been finalised at the close of the year. The increase recorded between 31 December 2021 and 31 December 2022, equal to €2,494 thousand, reflects the progressive increase in business volumes.
Inventories of finished products as at 31 December 2022 were €8,222 thousand, a decrease of €19,748 thousand compared to 31 December 2021. Inventories of pre-owned boats include yachts already sold at the closing date of the period to be delivered in the following months for a value of €2,870 thousand.

Net financial position

	(€'000)	31 December 2022	31 December 2021	Change
A	Cash	146,317	141,272	5,045
B	Cash equivalents	–	–	–
C	Other current financial assets	55,459	317	55,142
D	**Liquidity (A + B + C)**	**201,776**	**141,589**	**60,187**
E	Current financial debt	(28,307)	(3,824)	(24,483)
F	Current portion of non-current financial debt	(23,873)	(29,651)	5,778
G	**Current financial indebtedness (E + F)**	**(52,180)**	**(33,475)**	**(18,705)**
H	**Net current financial indebtedness (G + D)**	**149,596**	**108,114**	**41,482**
I	Non-current financial debt	(49,259)	(69,108)	19,849
J	Debt instruments	–	–	–
K	Non-current trade and other payables	–	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(49,259)**	**(69,108)**	**19,849**
M	**Total financial indebtedness (H + L)**	**100,337**	**39,006**	**61,331**

The net financial position of the Group as at 31 December 2022 shows a net cash equal to €100,337 thousand, compared to a net cash equal to €39,006 thousand as at 31 December 2021. Compared to the same period of the previous year, the net financial position shows an improvement of €61,331 thousand, thanks to the strong generation of operating cash resulting from the increase in volumes and the advances linked to the robust collection of orders, even considering the investments, shareholding acquisitions and the payment of dividends.

Cash and cash equivalents as at 31 December 2022 were equal to €146,317 thousand, an increase of €5,045 thousand compared to 31 December 2021. Starting in the first half of 2022, in consideration of the continued strong cash generation, the Group implemented a prudent and diversified liquidity management strategy, with financial investments totalling €51,052 thousand as at 31 December 2022 included in other current financial assets.

As at 31 December 2022, the Group also has unused bank credit lines of €120,678 thousand[17].

Among financial liabilities, leases liabilities included pursuant IFRS 16 totalled €7,847 thousand, of which €5,399 thousand non-current and €2,448 thousand current.

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

Reclassified statement of cash flows

(€'000)	31 December 2022	31 December 2021	Change
EBITDA	129,638	94,627	35,011
Taxes paid	(19,853)	(23,124)	3,271
Change in inventories	14,825	13,945	880
Change in net contract assets and liabilities	(22,020)	52,536	(74,556)
Change in trade receivables and advances to suppliers	(10,417)	(7,643)	(2,774)
Change in trade payables	35,854	(17,113)	52,967
Change in provisions and other assets and liabilities	17,084	(15,400)	32,484
Operating cash flow	**145,111**	**97,828**	**47,283**
Change in non-current fixed assets (investments)	(49,952)	(49,213)	(739)
Business acquisitions and other changes	(15,052)	(411)	(14,641)
Free cash flow	**80,107**	**48,204**	**31,903**
Interest and financial charges	(826)	(1,353)	527
Other cash flows and changes in equity	(17,950)	(11,674)	(6,276)
Change in net financial position	**61,331**	**35,177**	**26,154**
Net financial position at the beginning of the period	39,006	3,829	35,177
Net financial position at the end of the period	100,337	39,006	61,331

Equity

(€'000)	31 December 2022	31 December 2021
Share capital	34,784	34,539
Reserves	179,593	143,492
Group profit	74,154	51,007
Group equity	**288,531**	**229,038**
Equity attributable to non-controlling interests	1,550	103
Equity	**290,081**	**229,141**

As at 31 December 2022, the Parent Company's share capital amounted to €34,784 thousand, fully paid up, and consisted of 34,784,089 ordinary shares, increased compared to 31 December 2021 due to the subscription of the capital increase to service the 2020 Stock Option Plan for 244,821 shares in the year. The share capital was also subsequently increased in 2023 and, as at 28 February 2023, consists of 34,810,125 shares.
On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo had in fact approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum number of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan.
On 24 September 2020, the Company launched the treasury share buy-back program based on the authorisation resolution approved by the Ordinary Shareholders' Meeting of 31 August 2020, a plan which ended on 28 February 2022. Subsequently, on 2 September 2022, the Company initiated a new share buy-back program based on the authorisation resolution issued by the Ordinary Shareholders' Meeting on 28 April 2022. As at 31 December 2022, the Company held 123,202 treasury shares, equal to 0.354% of the subscribed and paid-up share capital.
For a comprehensive description of the changes in Equity, please refer to the appropriate table in the financial statements and the notes to the financial statements.


SANLORENZO

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

RECLASSIFIED INCOME STATEMENT

(€'000)	Year ended 31 December				Change	
	2022	% Net Revenues New Yachts	2021	% Net Revenues New Yachts	2022 vs. 2021	2022 vs. 2021%
Net Revenues New Yachts	**650,130**	**100.0%**	**533,115**	**100.0%**	**117,015**	**+21.9%**
Revenues from maintenance and other services	9,553	1.5%	5,580	1.0%	3,973	+71.2%
Other income	6,797	1.0%	4,873	0.9%	1,924	+39.5%
Operating costs	(552,793)	(85.0)%	(458,323)	(86.0)%	(94,470)	+20.6%
Adjusted EBITDA	**113,687**	**17.5%**	**85,245**	**16.0%**	**28,442**	**+33.4%**
Non-recurring costs	(583)	(0.1)%	(916)	(0.1)%	333	-36.4%
EBITDA	**113,104**	**17.4%**	**84,329**	**15.9%**	**28,775**	**+34.1%**
Amortisation, depreciation and impairment losses	(23,970)	(3.7)%	(20,643)	(4.0)%	(3,327)	+16.1%
EBIT	**89,134**	**13.7%**	**63,686**	**11.9%**	**25,448**	**+40.0%**
Net financial expense	(261)	–	(770)	(0.1)%	509	-66.1%
Adjustments to financial assets	72	–	(25)	–	97	-388.0%
Pre-tax profit	**88,945**	**13.7%**	**62,891**	**11.8%**	**26,054**	**+41.4%**
Income taxes	(25,590)	(3.9)%	(18,513)	(3.5)%	(7,077)	+38.2%
Net profit	**63,355**	**9.8%**	**44,378**	**8.3%**	**18,977**	**+42.8%**

Net Revenues New Yachts of the Parent Company for 2022 were equal to €650,130 thousand, up by 21.9% compared to €533,115 thousand reported in 2021.
Operating costs were equal to €552,793 thousand, accounting for 85.0% of Net Revenues New Yachts, up by 20.6% compared to €458,323 thousand in 2021. With regard to the effects generated, both on 2022 and 2021, by the reclassification of costs arising from the retirement of used boats in exchange for the sale of new yachts, please refer to the section entitled "Basis of preparation" in the notes to the financial statements.

Adjusted EBITDA was equal to €113,687 thousand, up by 33.4% compared to the €85,245 thousand reported in 2021, and equal to 17.5% of Net Revenues New Yachts.
Also considering non-recurring items, equal to €583 thousand, relating to the non-monetary costs of the share plans and the expenses incurred because of COVID-19, EBITDA was €113,104 thousand, equal to 17.4% of the Net Revenues New Yachts, marking an increase of 34.1% compared to 2021.
Amortisation/depreciation, amounting to €23,970 thousand, increased by 16.1% on 2021 as the investments made in previous years have been coming on stream.
EBIT was equal to €89,134 thousand, an increase of 40.0% compared to the previous year, representing 13.7% of Net Revenues New Yachts.
Net financial expense amounted to €261 thousand, down by €509 thousand compared to 2021, due to the improved conditions applied to the Company by financial institutions and the positive refinancing of some credit lines.
Pre-tax profit for the year reached €88,945 thousand, increasing by €26,054 thousand, from €62,891 thousand in 2021. Income taxes increased by €7,077 thousand, from €18,513 thousand in 2021 to €25,590 thousand in 2022.
In light of the above, net profit for the year of Sanlorenzo S.p.A. came to €63,355 thousand, equal to 9.8% of Net Revenues New Yachts, with an increase of €18,977 thousand compared to 2021, equal to 42.8%.

STATEMENT OF FINANCIAL POSITION

(€'000)	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
USES				
Net fixed capital	217,601	188,816	28,785	+15.2%
Net working capital	(53,132)	(7,533)	(45,599)	+605.3%
Net invested capital	**164,469**	**181,283**	**(16,814)**	**-9.3%**
SOURCES				
Equity	274,556	226,284	48,272	+21.3%
(Net financial position)	(110,087)	(45,001)	(65,086)	+144.6%
Total sources	**164,469**	**181,283**	**(16,814)**	**-9.3%**

Net fixed capital as at 31 December 2022 was equal to €217,601 thousand, a €28,785 thousand increase on the end of 2021, mainly due to the investments made during the year, connected to both the expansion in productive capacity and the development of new models.
As at 31 December 2022, net working capital was negative for €53,132 thousand, compared to €7,533 thousand as at 31 December 2021, showing a decrease of €45,599 thousand, mainly due to the increase business volumes and cash generation linked to the advances received on new orders.

Net financial position as at 31 December 2022 showed a net cash position of €110,087 thousand and €45,001 thousand as at 31 December 2021.

(€'000)		31 December			
		2022	of which intra-group	2021	of which intra-group
A	Cash	139,351	–	134,314	–
B	Cash equivalents	–	–	–	–
C	Other current financial assets	55,254	131	6,490	6,179
D	**Liquidity (A + B + C)**	**194,605**	**131**	**140,804**	**6,179**
E	Current financial debt	(18,657)	–	(2,307)	–
F	Current portion of non-current financial debt	(21,669)	–	(28,401)	–
G	**Current financial indebtedness (E + F)**	**(40,326)**	**–**	**(30,708)**	**–**
H	**Net current financial indebtedness (G + D)**	**154,279**	**131**	**110,096**	**6,179**
I	Non-current financial debt	(44,192)	–	(65,095)	–
J	Debt instruments	–	–	–	–
K	Non-current trade and other payables	–	–	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(44,192)**	**–**	**(65,095)**	**–**
M	**Total financial indebtedness (H + L)**	**110,087**	**131**	**45,001**	**6,179**

Other current financial assets include a time deposit, bonds, listed certificates and a guaranteed-capital life insurance contract as well as loans granted to subsidiaries due within twelve months. In particular, the figure as at 31 December 2022 includes the portion within 12 months of the loan granted to Polo Nautico Viareggio S.r.l.

(€'000)	31 December 2022	31 December 2021	Change
EBITDA	113,104	84,329	28,775
Taxes paid	(17,910)	(21,643)	3,733
Change in inventories	21,551	14,369	7,182
Change in net contract assets and liabilities	(4,952)	51,199	(56,151)
Change in trade receivables and advances to suppliers	(13,685)	(6,981)	(6,704)
Change in trade payables	28,384	(17,570)	45,954
Change in provisions and other assets and liabilities	14,091	(11,134)	25,225
Operating cash flow	**140,583**	**92,569**	**48,014**
Change in non-current fixed assets (investments)	(40,088)	(38,768)	(1,320)
Business acquisitions and other changes	(13,470)	(894)	(12,576)
Free cash flow	**87,025**	**52,907**	**34,118**
Interest and financial charges	(594)	(1,050)	456
Other cash flows and changes in equity	(21,345)	(19,667)	(1,678)
Change in net financial position	**65,086**	**32,190**	**32,896**
Net financial position at the beginning of the period	45,001	12,811	32,190
Net financial position at the end of the period	110,087	45,001	65,086

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

(€'000)	31 December 2022		31 December 2021	
	Equity	Profit for the year	Equity	Profit for the year
Equity and result of the Parent Company	**274,556**	**63,355**	**226,284**	**44,378**
Excess of the net assets of the financial statements, including the results for the year, over the carrying values of investments in subsidiaries	9,640	11,862	(1,602)	3,484
Investments in associates measured using the equity method	–	–	50	4
Consolidation adjustments for:				
Translation differences	*(198)*	–	*(605)*	–
Adjustments for uniformity of accounting standards	*4,533*	*(546)*	*4,911*	*3,485*
Other consolidation adjustments	–	*68*	–	–
Total pertaining to the Group	**288,531**	**74,739**	**229,038**	**51,351**
Equity and net (profit)/loss attributable to non-controlling interests	1,550	585	103	344
Total consolidated financial statements	**290,081**	**74,154**	**229,141**	**51,007**

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

MARKET AND OPERATING RISKS

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

The Group is exposed to the risks connected with the global economic-financial situation and the economic trend in the specific geographic end markets of its products, intended for a customer base of considerably wealthy individuals. Major economic events concerning the global economy or the economy of the countries in which the Group's customers reside, such as financial and economic crises, may involve a risk of customers losing their propensity to purchase or choose not to finalise the purchase of a yacht already ordered. In this case, the Group would be forced to look for a new buyer, retaining any amounts paid by the customer in the form of advances, in compliance with the contracts signed.

The Group's business model also makes provision for the possibility of withdrawing used yachts for exchange. If the macroeconomic situation should deteriorate, the subsequent reduction in demand could have an adverse impact on the sale times and the sale value of used yachts, involving a reduction in the Group's total revenues and an increase in the inventories of finished products.

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

The Group's growth objectives are tied primarily to the constant evolution of its products, an increase in productive capacity, consolidation and growth on the international markets and the ability to interpret customers' preferences and the new market trends.
The Group cannot ignore the fact that new products may be introduced to the market later than its competitors or that investments in research and development of new products may not deliver the expected results in terms of sales or may entail higher than expected costs. If the Group is unable to pursue an effective policy of constant product innovation, both in terms of the technological development of the products, and in terms of the response to market expectations, this could mean a drop in the Group's total revenues.
The pursuit of the strategy to increase the productive capacity also depends on an expansion of the existing shipyards, or the identification of new production areas to acquire. The Group cannot rule out that it might be unable to promptly and effectively complete ongoing projects or to identify and carry out adequate investments and that, where realised, said investments might not generate a sufficient return. In order to cope with the growth in orders, in view of the outsourcing of certain production phases, the Group cannot exclude the possibility that it may not be able to find contractors who are adequate for the volumes required or not adequately qualified.
As regards the strategy for consolidation and commercial expansion in international markets, the Group is exposed to the risk of growing operational complexities, which could result in the opening of new offices or branches or the incorporation of new companies for the coverage of the markets in which the Group is not present at the moment, and an increase in human resources to service these needs. The Group is also exposed to risks connected with operations on international markets, such as, inter alia, macroeconomic and financial risks, regulatory, market, geopolitical and social risks.
The luxury yacht market is also impacted by changes in customer tastes and preferences, as well as by changes in the life-styles in the different geographical areas in which the Group operates. If, in the future, the Group was unable to build yachts able to reflect the preferences of its customers, or to identify and anticipate the trends in the luxury goods market, a decrease in Group revenues might occur.

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

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

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

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

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

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

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

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

Risks connected with the operating relationship with the representative brands

The Group entrusts the distribution of its products to a small number of representative brands and, to a lesser extent, to brokers that establish contact with potential customers and receive a commission in the event of a sale. The contracts stipulated with the representative brands make provision for a right of distribution within the area assigned to each one and minimum purchase obligations. These obligations are fulfilled, if necessary, through stock purchases.
The Group is exposed to the risk of not reaching the sales volumes through representative brands established beforehand, due to the termination of relationships held with said parties or their inability to achieve the pre-established objectives in the reference markets. The Group is also exposed to the risk of failing to adequately and promptly replace its brand representatives in the event of the termination of the associated contractual relations or a general deterioration in the sales performances of its distribution network.

Risks associated with changes in the reference regulatory framework

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

FINANCIAL RISKS

Credit risk

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

Liquidity risk

Liquidity risk is represented by the possibility that a Group company or the Group may find itself in the position of not being able to meet its payment commitments, whether foreseen or unforeseen, due to a lack of financial resources, thus jeopardizing day-to-day operations or the financial position of the individual or the Group.
Liquidity risk may arise from any difficulty in obtaining timely funding to support operating activities and may manifest itself in the inability to obtain the necessary resources on economic terms.
Cash flows, funding requirements and liquidity are under the control of the Parent Company, with the aim of ensuring effective management of financial resources.
The Group has dealt with liquidity risk by reinvesting cash flows from operations, in addition to obtaining substantial lines of credit with a number of banks, the total amount of which is deemed more than sufficient to meet its financial requirements, also taking into account the effects of the seasonal nature of the sector on cash flows. The concentration of the collection of orders and deliveries in specific periods of the year, against the constant flow of payments to Group suppliers and contractors, has in fact, an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which short-term financial debt may be higher as a result of the lower flow of collections. The Group therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements.
As at 31 December 2022, the Group had unused bank credit lines to meet liquidity needs of €120,678 thousand[18], in addition to €201,776 thousand of liquidity (including €51,052 thousand of financial investments) and against total gross debt equal to €101,439 thousand (including lease liabilities and the fair value of derivatives).
In view of its significant cash position, the Group has also implemented a prudent, diversified cash management strategy, favouring capital-protected or guaranteed investments in products and financial instruments with counterparties of primary standing.

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

Exposure to the fluctuation in interest rates

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

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

Exposure to the fluctuation in exchange rates

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

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

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

Risks related to disputes and tax audits

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

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

information on the non-financial statement

In accordance with the provisions of Article 5, paragraph 3, letter b, of Italian Legislative Decree 254/2016, the Company has prepared the consolidated non-financial statement that constitutes a separate report.
The 2022 non-financial statement, prepared according to the "GRI Standards" and approved by the Board of Directors on 14 March 2023, can be found on the Company's website www.sanlorenzoyacht.com in the "Responsible development" section.

research and development activities

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

(€'000)	31 December				Change	
	2022	% Net Revenues New Yachts	2021	% Net Revenues New Yachts	2022 vs. 2021	2022 vs. 2021%
Internal costs	1,774	0.2%	1,977	0.4%	(203)	-10.3%
External costs	3,584	0.5%	4,192	0.7%	(608)	-14.5%
Costs of research and development activities	**5,358**	**0.7%**	**6,169**	**1.1%**	**(811)**	**-13.2%**

For the year ended as at 31 December 2022, total spending, including costs and investments incurred by the Group for research and development activities, primarily relating to projects for new models of yachts and superyachts, came to €5,358 thousand, marking a decrease of €811 thousand on 2021, representing 0.7% of Net Revenues New Yachts.
For further details on research and development activities, please refer to the consolidated non-financial statement, available on the Company's website www.sanlorenzoyacht.com in the section "Responsible development".

human resources

As at 31 December 2022, Sanlorenzo Group had a workforce of 764 employees, of which 83.2% at the Parent Company.

	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Sanlorenzo S.p.A.	636	539	97	+18.0%
Bluegame S.r.l.	56	38	18	+47.4%
PN VSY S.r.l.	–	6	(6)	-100.0%
Polo Nautico Viareggio S.r.l.	18	–	18	–
I.C.Y. S.r.l.	35	–	35	–
Sanlorenzo Baleari SL	2	3	(1)	-33.3%
Sanlorenzo of the Americas LLC	11	11	–	–
Equinoxe S.r.l.	5	–	5	–
Equinoxe Yachts International S.r.l.	1	–	1	–
Group employees	**764**	**597**	**167**	**+28.0%**

Please note that the companies Polo Nautico Viareggio S.r.l., I.C.Y. S.r.l., Equinoxe S.r.l. and Equinoxe Yachts International S.r.l., as at 31 December 2021, were not part of the Sanlorenzo Group and, therefore, the comparative figure of the number of employees is not reported. Regarding the company PN VSY S.r.l., the change occurred during the period (-100%) is due to the merger of the company into the Parent Company.

By category, white collar workers recorded the largest increase during the period, with an increase of 137 staff members.

	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Managers	35	36	(1)	-2.8%
White collars	608	471	137	+29.1%
Blue collars	121	90	31	+34.4%
Group employees	**764**	**597**	**167**	**+28.0%**

The distribution by geographic area saw the largest growth in Italy, which accounted for 98.3% of Group employees as at 31 December 2022.

	31 December		Change	
	2022	2021	2022 vs. 2021	2022 vs. 2021%
Italy	751	583	168	+28.8%
Rest of Europe	2	3	(1)	-33.3%
United States	11	11	–	–
Group employees	**764**	**597**	**167**	**+28.0%**

corporate governance

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

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

Pursuant to Article 123 of Italian Legislative Decree 24 February 1998 no. 58 (Consolidated Law on Finance), the Company is required to draft an annual report on corporate governance and ownership structures, providing a general description of the governance system adopted by Sanlorenzo Group and information on the ownership structures, including the main governance procedures applied and the characteristics of the risk management and internal control system in relation to the financial disclosure process.
The aforementioned report, approved by the Board of Directors on 14 March 2023 can be consulted on the Company's website www.sanlorenzoyacht.com, in the "Corporate Governance/Shareholders' Meeting" section.

intra-group transactions and transactions with related parties

The Company's Board of Directors adopted the "Procedure for Related Party Transactions", most recently updated by resolution passed on 10 March 2022, in compliance with the "Regulation on Related Party Transactions" approved by Consob with Resolution No. 21624 of 10 December 2020.
The above procedure can be found on the Company's website (www.sanlorenzoyacht.com), in the "Corporate Governance" section.
It should be noted that transactions with related parties, including therein intra-group transactions, do not qualify as either atypical or unusual, as they fall under the normal course of business of Group companies. Said transactions were made at arm's length in consideration of the features of goods and services provided.
In the notes, the Company provides the information required pursuant to Article 154-ter of Italian Legislative Decree 24 February 1998 no. 58 (Consolidated Law on Finance) as indicated in Consob Regulation no. 17221 of 12 March 2010.

atypical and/or unusual transactions

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

information on relevant non-EU companies

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

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

additional information

The Company is not subject to management and coordination activities pursuant to Articles 2497 et seq. of the Italian Civil Code, in consideration of the fact that the presumption set forth in Article 2497-sexies of the Italian Civil Code does not apply. As at 31 December 2022, Sanlorenzo S.p.A. held 123,202 treasury shares, equal to 0.354% of the subscribed and paid-up share capital.

significant events during the year

ACQUISITION OF A MINORITY INTEREST IN CARPENSALDA YACHT DIVISION S.R.L.

On 10 February 2022, Sanlorenzo S.p.A. acquired a 48% stake in the share capital of Carpensalda Yacht Division S.r.l. ("CYD") from MEC Carpensalda S.a.s., a strategic supplier active in the production of metal structures of superyachts, for a consideration of €3.8 million. With a previous transaction completed on 4 February 2022, MEC Carpensalda had transferred to CYD, a newly incorporated company, the business unit relating to carpentry and welding activities on metal structures for shipyards, including, among others, two production sites, one in the Navicelli Canal area in Pisa and one in Livorno. The remaining shares of the company are held 50% by MEC Carpensalda and 2% by a third party.
Subsequently, on 25 February 2022, CYD acquired all of the shares of Sa.La. S.r.l. (formerly Sala S.n.c.), operating in the sector of the processing, cutting and moulding of metal sheets, with a production site in Viareggio (LU), for a consideration of €1.7 million. This strategic partnership in the metal carpentry supply chain will allow Sanlorenzo to secure the supply of key works, indirectly increasing the production capacity at the service of the Superyacht Division.

CONFLICT BETWEEN RUSSIA AND UKRAINE

In consideration of the conflict between Russia and Ukraine, the Company confirms that the exposure to customers of Russian nationality is marginal and specifies that these are subjects not affected by international sanctions at an individual level (so-called "Specially Designated Nationals"). The Company considers the relative risk to be very limited, in view of the advances received from customers on yachts under construction and the fact that ownership of the yachts remains with the shipyard, as well as by virtue of the numerous requests from potential customers.
The Group implements constant monitoring of the situation and updates on the international sanctions front, in line with the rigorous Know Your Customer procedures and Sanctions Compliance Program adopted by all Group companies.
Moreover, the Group has no suppliers located in Russia and in the areas affected by the conflict.

SANLORENZO ORDINARY SHAREHOLDERS' MEETING

On 28 April 2022, the Ordinary Shareholders' Meeting of Sanlorenzo was held on first call and issued the following main resolutions:

- approval of the financial statements at 31 December 2021 and proposal for the allocation of profit, including the distribution of a dividend of €0.60 per share, double the amount distributed in 2021;
- approval of the first section of the Remuneration Report relating to the remuneration policy and resolved in a favourable sense on the second section;
- appointed the new Board of Directors and the new Board of Statutory Auditors;
- approval of the request for authorisation to purchase and dispose of treasury shares up to a maximum of 3,453,550 shares.

ACQUISITION OF A MINORITY INTEREST IN DUERRE S.R.L.

On 29 April 2022, Sanlorenzo S.p.A. has acquired a 33% stake in Duerre S.r.l., a historic company active since the 1940s in the handcrafted production of very high quality furniture intended in particular for superyachts, in the amount of €3.4 million. The acquisition agreement includes an earn-out clause formulated on the basis of the achievement of specific results in the three-year period 2021-2023. The earn-out may entail a decrease of the price by €200 thousand and an increase thereof up to a maximum amount of €600 thousand. According to the best estimates available at the date of this Report, the initial purchase price has not been adjusted.

PURCHASE OF A BUSINESS UNIT FROM VISMARA MARINE CONCEPTS S.R.L.

On 9 June 2022, Sanlorenzo S.p.A. acquired a business unit from Vismara Marine Concepts S.r.l., mainly comprising an industrial building of about 1,400 square metres located in Viareggio near the Company's shipyards, as well as plant and equipment and a 0.51% stake in the company Polo Nautico Viareggio S.r.l., for a total amount of about €2.2 million. As a result of the aforementioned transaction and a further acquisition of a 2.17% stake from a third party concluded on 28 July 2022, Sanlorenzo's shareholding in Polo Nautico is currently 52.49%.
These acquisitions made it possible to increase the production capacity serving the Yacht Division, consolidating Sanlorenzo's presence within the Polo Nautico Viareggio S.r.l. complex, a company that was originally set up in the legal form of a limited liability consortium, whose mission it has maintained, continuing to provide services mainly to its shareholders.

AGREEMENT BETWEEN BLUEGAME AND NEW YORK YACHT CLUB AMERICAN MAGIC

On 18 July 2022, Bluegame and the New York Yacht Club American Magic, challengers in the 37th America's Cup to be held in Barcelona in 2024, signed an agreement to design and build the first hydrogen-powered "chase boat", with exclusively hydrogen propulsion and use of foils, which will be built according to the strict requirements of the protocol of the event.

ACQUISITION OF A MAJORITY INTEREST IN I.C.Y. S.R.L. BY BLUEGAME

On 20 July 2022, Bluegame acquired, for the amount of €925 thousand, a 60% stake in I.C.Y. S.r.l., Bluegame's historical partner in the production of certain product lines. The remaining 40% of the shares are retained by the company's founder and current CEO. This transaction is aimed at increasing Bluegame's production capacity to support growth.

ACQUISITION AND MERGER BY INCORPORATION OF MEDITERRANEA REAL ESTATE S.R.L. BY SANLORENZO S.P.A.

On 28 July 2022, Sanlorenzo acquired 100% of the shares of Mediterranea Real Estate S.r.l., owner of an industrial building of approximately 1,000 square metres adjacent to the Sanlorenzo shipyards within the Polo Nautico complex in Viareggio, plus offices and equipment. The transaction, concluded for €1.1 million, aims to increase the production capacity of the Superyacht Division in Viareggio, for the outfitting of the X-Space range.
On 14 October 2022, the Board of Directors of Sanlorenzo S.p.A. approved the merger by incorporation of Mediterranea Real Estate S.r.l. into Sanlorenzo S.p.A., which was finalised on 29 December 2022.

ACQUISITION AND MERGER BY INCORPORATION OF CANTIERE TOMEI 1811 S.R.L. BY SANLORENZO S.P.A.

On 28 July 2022, Sanlorenzo acquired 100% of the shares of Cantiere Tomei 1811 S.r.l., holder of a government concession to the land that hosts an industrial building of about 240 square metres and a yard used for storage activities of about 1,100 square metres in the Viareggio docks area, for €918 thousand.
On 14 October 2022, the Board of Directors of Sanlorenzo S.p.A. approved the merger by incorporation of Cantiere Tomei 1811 S.r.l. into Sanlorenzo S.p.A., which was finalised on 29 December 2022.

MEMORANDUM OF UNDERSTANDING WITH ROLLS-ROYCE SOLUTIONS GMBH (MTU)

On 5 August 2022, Sanlorenzo and Rolls-Royce Solutions GmbH – Global Marine (MTU) signed a Memorandum of Understanding concerning the exclusive cooperation for the integration of methanol-fuelled main engines, with fuel cells supplied by Siemens Energy, also fuelled by methanol (through a reformer), on yachts between 40 and 75 metres in length. These solutions will initially be installed on a Sanlorenzo yacht prototype between 50 and 60 meters in length, due for delivery in 2026.

START OF THE BUY-BACK PROGRAMME

On 2 September 2022, Sanlorenzo initiated the share buy-back plan based on the authorisation resolution issued by the Shareholders' Meeting on 28 April 2022. The buy-back programme, to be executed by 28 October 2023, provides for the purchase of a maximum number of shares of 3,453,550.

PURCHASE OF BUSINESS UNIT FROM SIMAN S.R.L.

On 29 September 2022, Sanlorenzo purchased from Siman S.r.l. a business unit comprising two building plots of land totalling more than 33,300 square metres, a state-owned concession on which a warehouse of about 6,400 square metres is located, as well as plant and equipment in the Navicelli Canal area in Pisa for a consideration of €2.8 million, to be used to increase the production capacity of the Superyacht Division.

MERGER OF THE SUBSIDIARY PN VSY S.R.L. INTO SANLORENZO S.P.A.

On 20 September 2022, the deed of merger of the subsidiary PN VSY S.r.l. into Sanlorenzo S.p.a. was signed. The legal effects of the merger shall take effect on 26 September 2022, whereas the accounting and tax effects shall take effect on 1 January 2022.

ASSIGNMENT OF INDUSTRIAL INFRASTRUCTURE IN TORTOLÌ (NU) TO SANLORENZO ARBATAX S.R.L. BY THE COURT OF LANUSEI

On 18 October 2022, the Court of Lanusei assigned to Polo Nautico Viareggio S.r.l., investee of Sanlorenzo S.p.A., a plot of land located in the municipality of Tortolì (NU) and the factory built thereon. Subsequently, Polo Nautico S.r.l. appointed Sanlorenzo Arbatax S.r.l., a wholly-owned subsidiary of Sanlorenzo S.p.A., as the third party, to which this industrial infrastructure should be transferred, to proceed with the acquisition, which will be realised in the first half of 2023.
This infrastructure, over an area of about 37,000 square metres, of which 16,100 square metres are covered, will be used for the production of small/medium size composite semi-finished products, increasing the production capacity of the Yacht and Bluegame Divisions.

PURCHASE OF A BUILDING PLOT IN COLOGNE (BS) BY BLUEGAME

On 20 October 2022, Bluegame S.r.l., a subsidiary of Sanlorenzo, purchased in Cologne (BS), in an area adjacent to the current plant of I.C.Y. S.r.l., a building plot of land with a cadastral area of approximately 18,000 square metres, against payment of €1.85 million. This purchase, together with the investments that will be made for the construction of the production site, is aimed at increasing the company's production capacity.

ACQUISITION OF THE STAKE IN EQUINOXE S.R.L. AND EQUINOXE YACHTS INTERNATIONAL S.R.L.

On 19 December 2022, Sanlorenzo S.p.A. finalised the purchase of 100% of the shares of the company Equinoxe S.r.l., a leading company in charter activities, for a countervalue of €2,100 thousand, of which about 10% to be paid in the following three years subject to the fulfilment of certain conditions. Equinoxe S.r.l. wholly owns Equinoxe Yachts International S.r.l., which also operates in the same sector.
On 27 December 2022, the Board of Directors of Equinoxe S.r.l. approved the merger by incorporation of Equinoxe Yachts International S.r.l. into Equinoxe S.r.l., a transaction that will be finalised in early 2023.

significant events after year-end

LETTER OF INTENT FOR THE ACQUISITION OF SEA ENERGY S.R.L.

On 6 February 2023, Sanlorenzo S.p.A. signed a letter of intent to acquire 49% of Sea Energy S.r.l., a leading company in the design, construction and maintenance of electrical systems for yachts and superyachts. The transaction is expected to be finalised by the first half of 2023.

ACQUISITION OF THE 10% STAKE IN SANLORENZO OF THE AMERICAS LLC

On 16 February 2023, Sanlorenzo S.p.A. and PN Sviluppo S.r.l. finalised the acquisition, respectively for the share of 9.9% and 0.1%, of the stake in Sanlorenzo of the Americas LLC from Marco Segato. The amount of consideration defined between the parties and in line with the fairness opinion is equal to €990 thousand, for the 9.9% stake acquired by Sanlorenzo S.p.A., and equal to €10 thousand, for the 0.1% stake acquired by PN Sviluppo S.r.l.

business outlook

Global economic development in the coming years will be increasingly affected by targets to limit social and environmental impacts, in line with the goals of the UN 2030 Agenda and the EU Green Deal. Although shipping accounts for only 1.7% of total GHG emissions, of which only a marginal 0.22% can be attributed to yachting, sustainability is therefore no longer an option. In July 2023, for example, the Maritime Environmental Protection Committee (MEPC) is expected to decide to bring forward 100% decarbonisation of shipping by 2050.

In this context, the target segment of the yachting market is expected to grow steadily. The number of Ultra High Net Worth Individuals, with available liquidity of at least $50 million, is expected to reach 385,000 in 2026, with an annual increase of 24,000. At the same time, the supply of yachts over 24 metres will grow at a lower annual rate, reaching 1,203 units by 2023[19]. This dynamic will lead to a reduction of the yachting penetration rate towards Ultra High Net Worth Individuals from the already low 3.0% to 2.5%, thus further increasing the high potential.

Finally, as a phenomenon of significant impact, the lowering of the average age of Sanlorenzo superyacht buyers from 56 to 48 years old in just two years should be noted, with a twofold positive result: the enlargement of the client base and the sensitivity of new young clients who demand – and are willing to pay for – sustainable solutions.

Backlog[20] as at 31 December 2022, cleared from Net Revenues New Yachts recorded during the year, amounted to €1,069,619 thousand, compared to €915,632 thousand as at 31 December 2021, 93% sold to final clients.

Even before the beginning of the year, the amount of backlog referred to 2023, equal to €617,394 thousand, allows an extremely high cover of the expected revenues in the current year (75.3% calculated on the 2023 guidance).

The visibility on revenues related to subsequent years, with orders for €452,225 thousand beyond 2023, reaches the highest level ever.

On this basis, the management drew up the 2023-2025 Business Plan, approved by the Board of Directors on 14 March 2023 and presented on 15 March 2023 to the financial community.

19 *Global Order Book 2023, Boat International, December 2022.*

20 *Backlog is calculated as the sum of the value of all orders and sales contracts signed with customers or brand representatives relating to yachts for delivery or delivered in the current financial year or for delivery in subsequent financial years. For each year, the value of the orders and contracts included in backlog refers to the relative share of the residual value from 1 January of the financial year in question until the delivery date. Backlog relating to yachts delivered during the financial year is conventionally cleared on 31 December.*

Sustainability and technology

The first pillar of the Plan concerns the development of innovative technologies for carbon neutral power generation. In this field we are moving forward through collaboration agreements with the world's leading energy and E-fuels players, agreements that will revolutionise the entire nautical industry.

The route mapped out in the "Road to 2030" strategy will lead us to launch in 2024 the first 50Steel equipped with methanol fuel cells to power all on-board services, and then, in 2028, to the launch of the first superyacht 50Steel powered solely by methanol, the ultimate goal for Sanlorenzo and a true response to the nautical sector's demand for carbon-neutral on-board power generation.

Indeed, the generation of the power necessary for sailing at maximum speed will no longer be tied to the use of diesel engines powered by fossil fuels, but will be based on a combination of fuel cells and internal combustion engines powered by green methanol.

In parallel, in the <24m segment, two revolutionary Bluegame projects based on the use of hydrogen are advancing: the BGH tender, chosen by the New York Yacht Club as the "chase boat" to accompany American Magic during the 37th America's Cup to be held in Barcelona in 2024, and the subsequent BGM65HH (hydrogen-hybrid). BGH, to be launch in June 2023, is the ultimate expression of sustainable technology: the 10-meter yacht will reach the speed of 50 knots and a range of 180 miles at zero emissions, being driven exclusively by hydrogen fuel cells, combined with foils. The same ones that will be installed in the BGM65HH multihull combined with the new generation of Volvo Penta hybrid engines, at an advanced stage of design, for which Sanlorenzo was chosen as pilot shipyard.

Development of new models

The intense activity of the R&D department finds concrete application in the design of the new models, which express the maximum possible technological innovation, while remaining faithful to the strategy defined almost ten years ago: innovation within tradition, with the constant search for balance between the drive to introduce new ideas and consistency with the brand's history. Starting from the timeless design that made Sanlorenzo yachts iconic.

The Plan envisages the introduction of new ranges with the entry in different segments, such as the multihull, and at the same time an enrichment of those in the portfolio, increasing the number of models from the current 26 to 36, of which 17 in the Yacht Business Unit, 8 in the Superyacht Business Unit and 11 Bluegame.

High value service offerings to customers
Offering high value-added services to customers represents a strong competitive advantage for Sanlorenzo's value proposition, increasing customer loyalty and strengthening the brand's positioning at the very top of the luxury segment.
The Plan envisages the strengthening of a premium package including: the Sanlorenzo Charter Fleet, the world's first mono-brand charter fleet; the Sanlorenzo Academy for crew training; targeted forms of leasing/financing and insurance; maintenance and refitting and restyling services.
Refitting represents a high-potential upside of the Plan, considering that the worldwide fleet of yachts >30m is steadily increasing (amounting to 5,396 units in 2021) and the refitting market is expected to grow further, as it did from 2017 to 2021 with CAGR +16.4% for >40m yachts.

Direct global coverage strategy
One of the founding elements of the Sanlorenzo business model is represented by the distribution strategy that provides for direct presence in key strategic markets.
The Plan envisages the implementation of this strategy, with the opening of single-brand offices, in addition to those already existing in the Americas and the Balearic Islands, in EMEA (Monaco and Côte d'Azur) and APAC. For the latter market in particular, the acquisition of Simpson Marine, a network of 12 showrooms and 10 service centres covering the entire Far East, is expected by the first half of 2023.

Increase in production capacity and acquisitions of strategic supply chain players
The current production capacity of Sanlorenzo is equal to 100,000 square metres, 79% of which is currently utilised. The Plan envisages to expand capacity by 25% by 2025, taking utilisation to around 85%.
For a possible upside of 20% of the production capacity, the necessary areas are already available to the Company.
Furthermore, the investment strategy aimed at vertical supply chain integration with partnerships and minority stakes in strategic suppliers will continue.

GUIDANCE FOR 2023

In light of the consolidated results as at 31 December 2022 and taking into account the subsequent evolution of the order collection, the Company disclosed the guidance for the year 2023[21], envisaging again a double-digit growth of the main metrics.

(€ million and margin in % of Net Revenues New Yachts)	2021 Actual	2022 Actual	2023 Guidance	Change 2023 vs. 2022[22]
Net Revenues New Yachts	585.9	740.7	810-830	+11%
EBITDA[23]	95.5	130.2	150-155	+17%
EBITDA margin[23]	16.3%	17.6%	18.5%-18.7%	+100 bps
Group net profit	51.0	74.2	84-86	+15%
Investments	49.2	50.0	48-50	-2%
Net financial position	39.0	100.3	118-128	+23m

[21] *On a like-for-like basis and excluding potential extraordinary transactions.*
[22] *Calculated on the average of the guidance interval.*
[23] *The figures from 2021 to 2022 refer to Adjusted EBITDA, which deferred from reported EBITDA for less than 0.5%.*

Targets of the 2023-2025 Business Plan

For the three-year period 2023-2025, the Company expects to see a high single-digit CAGR, starting with a forecast for 2023 between €810-830 million, up by 11% from 2022.

The Group's margin is expected to increase significantly and progressively, with an EBITDA margin equal to or greater than 19.5% in 2025, compared to 17.6% in 2022. The forecast of the net financial position is between €185 million and €205 million, with cash generation of over €100 million.

The Plan will be supported by investments focused mainly on the research and development of new high-tech models and the increase of production capacity. Investments of about €150 million are planned over the three-year period.

(€ million and margin in % of Net Revenues New Yachts)	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Guidance	2025 Outlook[24]
Net Revenues New Yachts	455.9	457.7	585.9	740.7	810-830	High single-digit
YoY growth %		*+0.4%*	*+28.0%*	*+26.4%*	*+11%*	*Revenues CAGR '23-'25*
EBITDA[25]	66.0	70.6	95.5	130.2	150-155	
YoY growth %		*+7.0%*	*+35.3%*	*+36.3%*	*+17%*	
EBITDA margin[25]	14.5%	15.4%	16.3%	17.6%	18.5%-18.7%	≥19,5%
YoY growth %		*+0.9%*	*+0.9%*	*+1.3%*	*+1.0%*	
Group net profit	27.0	34.5	51.0	74.2	84-86	
YoY growth %		*+27.7%*	*+47.8%*	*+45.5%*	*+15%*	
Investments	51.4	30.8	49.2	50.0	48-50	95-105
YoY growth %		*-40.1%*	*+59.7%*	*+1.6%*	*-2%*	*Cumulated '24-'25*
Net financial position	(9.1)	3.8	39.0	100.3	118-128	185-205
Cash generation		*+12.9*	*+35.2*	*+61.3*	*+18-28*	*100+ cash generation*

Ameglia, 14 March 2023

For the Board of Directors
Chair and Chief Executive Officer
Mr. Massimo Perotti

24 *Annual growth is calculated on the average of the guidance interval.*

25 *The figures from 2019 to 2022 refer to Adjusted EBITDA; the figures from 2023 to 2025 refer to reported EBITDA, which deferred from Adjusted EBITDA for less than 0.5%.*

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	31 December 2022		31 December 2021[26]	
ASSETS					
Non-current assets					
Property, plant and equipment	*16*		158,710		134,988
Goodwill	*17*		10,756		8,667
Other intangible assets	*18*		51,374		45,276
Equity investments and other non-current assets	*20, 36, 37, 38*		11,426		446
of which investments measured using the equity method		*7,241*		*412*	
Net deferred tax assets	*14*		5,495		5,963
Total non-current assets			**237,761**		**195,340**
Current assets					
Inventories	*21*		53,444		68,269
Contract assets	*22*		168,635		117,194
Other financial assets, including derivatives	*26*		55,459		317
Trade receivables	*23*		21,784		18,310
Other current assets	*24*		60,388		54,337
Cash and cash equivalents	*25*		146,317		141,272
Total current assets			**506,027**		**399,699**
TOTAL ASSETS			**743,788**		**595,039**

[26] *Some 2021 figures have been restated to provide a better comparative representation. See the section "Basis of preparation" in the relevant notes to these consolidated financial statements.*

(€'000)	Notes	31 December 2022	31 December 2021[27]
EQUITY AND LIABILITIES			
EQUITY			
Share capital	27	34,784	34,539
Share premium	27	81,236	77,197
Other reserves	27	98,357	66,295
Profit/(loss) for the period		74,154	51,007
Equity attributable to the shareholders of the Parent Company		**288,531**	**229,038**
Equity attributable to non-controlling interests	27	1,550	103
TOTAL EQUITY		**290,081**	**229,141**
Non-current liabilities			
Non-current financial liabilities	28	49,259	69,108
Non-current employee benefits	31	1,109	1,058
Non-current provision for risks and charges	32	9,944	1,434
Total non-current liabilities		**60,312**	**71,600**
Current liabilities			
Current financial liabilities, including derivatives	28	52,180	33,475
Current provisions for risks and charges	32	8,039	11,380
Trade payables	29	155,979	120,125
Contract liabilities	22	132,369	102,948
Other current liabilities	30	31,859	22,638
Other current tax liabilities		3,021	2,146
Net current tax liabilities	14	9,948	1,586
Total current liabilities		**393,395**	**294,298**
TOTAL LIABILITIES		**453,707**	**365,898**
TOTAL EQUITY AND LIABILITIES		**743,788**	**595,039**

[27] *Some 2021 figures have been restated to provide a better comparative representation. See the section "Basis of preparation" in the relevant notes to these consolidated financial statements.*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(€'000)	Notes	31 December 2022	31 December 2021[28]
Revenues	*8*	811,034	687,970
Selling expenses	*8*	(59,902)	(96,658)
Net revenues		**751,132**	**591,312**
Other income	*9*	7,412	5,488
TOTAL NET REVENUE AND INCOME		**758,544**	**596,800**
Increases in internal work	*10*	2,106	1,978
Costs for raw materials, consumables and finished products	*10*	(247,677)	(194,719)
Outsourcing	*10*	(251,486)	(198,750)
Change in inventories of work in progress, semi-finished and finished products	*10, 21*	1,876	920
Other service costs	*10*	(63,444)	(50,159)
Personnel expenses	*10*	(53,299)	(45,527)
Other operating costs	*10*	(6,595)	(5,598)
Accruals to provisions for risks and charges	*10, 32*	(10,387)	(10,318)
Total operating costs		**(628,906)**	**(502,173)**
OPERATING RESULT BEFORE AMORTISATION AND DEPRECIATION		**129,638**	**94,627**
Amortisation, depreciation and impairment losses of fixed assets	*11, 16, 18*	(26,909)	(22,440)
OPERATING RESULT		**102,729**	**72,187**
Financial income	*12*	281	193
Financial expense	*12*	(826)	(1,353)
Net financial income/(expense)		**(545)**	**(1,160)**
Income/(expense) from equity investments	*13*	46	4
Adjustments to financial assets	*13*	49	(25)
PRE-TAX PROFIT		**102,279**	**71,006**
Income taxes	*14*	(27,540)	(19,655)
PROFIT/(LOSS) FOR THE PERIOD		**74,739**	**51,351**
Attributable to:			
Shareholders of the Parent Company		74,154	51,007
Non-controlling interests		585	344

continue

[28] *Some 2021 figures have been restated to provide a better comparative representation. See the section "Basis of preparation" in the relevant notes to these consolidated financial statements.*

(€'000)	31 December 2022	31 December 2021[29]
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be subsequently reclassified to net profit		
Actuarial change in accruals for employee benefits	188	22
Income taxes relating to actuarial changes in provisions for employee benefits	(52)	(6)
Total	**136**	**16**
Other comprehensive income which will be subsequently reclassified to net profit		
Changes in the cash flow hedge reserve	4,562	(1,465)
Income taxes related to changes in the cash flow hedge reserve	(1,095)	352
Change in the translation reserve	(82)	152
Total	**3,385**	**(961)**
Total other comprehensive income for the year, net of tax effect	**3,521**	**(945)**
COMPREHENSIVE NET PROFIT FOR THE PERIOD	**78,260**	**50,406**
Attributable to:		
Shareholders of the Parent Company	77,675	50,062
Non-controlling interests	585	344

(in €)	Notes	31 December 2022	31 December 2021
Group basic earnings per share	*15*	2.15	1.48
Group diluted earnings per share	*15*	2.12	1.47

[29] *Some 2021 figures have been restated to provide a better comparative representation. See the section "Basis of preparation" in the relevant notes to these consolidated financial statements.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€'000)	Share capital	Share premium	Other reserves	Profit for the period	Total Group Shareholders' Equity	Total equity attributable to non-controlling interests	Total Equity
Value as at 31 December 2020	**34,500**	**76,549**	**40,189**	**34,508**	**185,746**	**(355)**	**185,391**
Allocation of profit for the year	–	–	33,977	(34,508)	(531)	(344)	(875)
Dividends distributed	–	–	(10,331)	–	(10,331)	–	(10,331)
Purchase of treasury shares	–	–	–	–	–	–	–
Stock option exercise	39	648	(59)	–	628	–	628
Other changes	–	–	3,464	–	3,464	458	3,922
Profit for the period	–	–	–	51,007	51,007	344	51,351
Other comprehensive income	–	–	(945)	–	(945)	–	(945)
Value as at 31 December 2021	**34,539**	**77,197**	**66,295**	**51,007**	**229,038**	**103**	**229,141**
Allocation of profit for the year	–	–	51,007	(51,007)	–	–	–
Dividends distributed	–	–	(20,649)	–	(20,649)	–	(20,649)
Purchase of treasury shares	–	–	(2,051)	–	(2,051)	–	(2,051)
Stock option exercise	245	4,039	(367)	–	3,917	–	3,917
Other changes	–	–	601	–	601	862	1,463
Profit for the period	–	–	–	74,154	74,154	585	74,739
Other comprehensive income	–	–	3,521	–	3,521	–	3,521
Value as at 31 December 2022	**34,784**	**81,236**	**98,357**	**74,154**	**288,531**	**1,550**	**290,081**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€'000)	Notes	31 December 2022	31 December 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		74,739	51,351
Adjustments for:			
Depreciation of property, plant and equipment	*11, 16*	19,365	16,064
Amortisation of intangible assets	*11, 18*	7,377	6,376
Impairment on tangible assets	*11, 16*	167	–
Adjustments to financial assets (other equity investments)	*13*	(95)	21
Net financial expense	*12*	545	1,160
Gain on sale of property, plant and equipment	*16*	(267)	58
Impairment losses on trade receivables	*23*	–	–
Income taxes	*14*	27,540	19,655
Changes in:			
Inventories	*21*	14,825	13,945
Contract assets	*22*	(51,441)	(4,256)
Trade receivables	*23*	(3,474)	(1,077)
Other current assets	*24*	(6,051)	(23,903)
Trade payables	*29*	35,854	(17,113)
Contract liabilities	*22*	29,421	56,792
Other current liabilities	*30*	11,238	2,920
Accruals for risks and charges and employee benefits	*31, 32*	5,221	(1,041)
Cash flow generated/(absorbed) by operating activities		**164,964**	**120,952**
Income taxes paid		(19,853)	(23,124)
Net cash flow generated/(absorbed) by operating activities		**145,111**	**97,828**
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received	*12*	281	193
Proceeds from sale of property, plant and equipment	*16*	273	135
Proceeds from disposal of intangible assets	*18*	–	–

continue

(€'000)	Notes	31 December 2022	31 December 2021
Change in other equity investments and other non-current assets	*20, 36, 37, 38*	(3,494)	(684)
Acquisition of subsidiaries, associates or business units	*20*	(16,262)	(55)
Acquisition of property, plant and equipment	*16*	(36,673)	(38,066)
Purchase of intangible assets	*18*	(13,279)	(11,147)
Net cash flow generated/(absorbed) by investing activities		**(69,154)**	**(49,624)**
CASH FLOW FROM FINANCING ACTIVITIES			
Financial interests and expense paid	*12*	(826)	(1,353)
Proceeds from the issue of share capital	*27*	4,284	687
Proceeds from loans	*28*	9,274	46,843
Repayment of loans	*28*	(29,817)	(34,981)
Changes in other financial assets and liabilities including derivatives	*26, 28, 33*	(38,769)	1,994
New finance leases	*28*	3,071	1,537
Repayment of finance leases	*28*	(45)	(3,657)
Assumption of new loans	*28*	–	–
Other changes in equity	*27*	4,616	(2,030)
Share buy-back	*27*	(2,051)	–
Dividends paid	*27*	(20,649)	(10,331)
Net cash flow generated/(absorbed) by financing activities		**(70,912)**	**(1,291)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**5,045**	**46,913**
Cash and cash equivalents at the beginning of the period		141,272	94,359
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**146,317**	**141,272**

notes to the consolidated financial statements

BASIS OF PREPARATION

1. Reporting entity

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

2. Basis of preparation

The consolidated financial statements as at 31 December 2022, approved by the Company's Board of Directors on 14 March 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).
These consolidated financial statements as at 31 December 2022 include the consolidated statement of financial position, consolidated statement of profit and loss for the period and the other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity and the notes.
As regards the statement of financial position, the presentation format adopted provides for a distinction between current and non-current assets and liabilities, according to paragraphs 60 et seq. of IAS 1.
The presentation of the consolidated income statement adopts a classification of costs based on the type of expense.
The consolidated statement of cash flows was prepared based on the indirect method and is presented in compliance with IAS 7, classifying the financial flows between operating, investment and financing activities.
The details regarding the accounting standards adopted by the Group are specified in the paragraph "Accounting standards" of these consolidated financial statements.
The Notes to the Consolidated Financial Statements were supplemented with the additional information required by Consob and the measures it issued in implementation of Article 9 of Italian Legislative Decree 38/2005 (Resolutions 15519 and 15520) of 27 July 2006 and Communication DEM/6064293 of 28 July 2006, pursuant to Article 78 of the Issuers' Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.
It should be noted that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication DEM/6064293 of 28 July 2006, the financial statements highlight significant relations with related parties in order to provide better information, and the income items deriving from non-recurrent events or transactions are recognised, when significant, separately in the management comments and in the financial information sections.

Enhanced stakeholders disclosure

During the first half of 2022, the Group began some analyses of its financial reporting in order to achieve more effective communication with its stakeholders.
In view of the positions expressed by the International Accounting Standard Board (IASB) on the subject of "Better Communication in Financial Reporting", the Company has opted to introduce, starting with the 2022 Half-Year Financial Report, a new way of presenting and organising the document itself that aims to favour a more immediate understanding of the Group's performance.
The main items subject to change are summarised below.

Consolidated statement of financial position

Compared to the consolidated statement of financial position for previous periods, the item "Intangible assets with a finite useful life" (included under non-current assets) has been renamed "Other intangible assets". This change is consistent with the accounting entries included in the same item, since, with effect from the situation at 30 June 2022, includes both finite and indefinite life intangible assets, arising from the change in the accounting estimate of the Sanlorenzo and Bluegame brands, which have been classified as assets with an indefinite useful life. In fact, compared to previous periods, a change was made in the estimate of the useful life of the Sanlorenzo and Bluegame brands, in compliance with IAS 8 and IAS 38, changing their classification from "Intangible assets with a finite useful life" to "Intangible assets with indefinite useful life".
It should be noted that the comparative amount as at 31 December 2021, being an estimate change, has not been subject to any adjustment.
For more details, please refer to the note "Other intangible assets".

Consolidated statement of profit and loss and other comprehensive income

With regard to trade-in transactions of pre-owned yachts, which were collected following the sale of a new yacht, the accounting policy was changed (as required by IAS 8, paragraph 14(b)), according to a new statement of profit and loss format more representative of the Group's business model.
In particular, the costs of collecting and other costs of managing pre-owned boats in trade-in have been reclassified from Operating costs to Net revenue and income; therefore, the newly introduced item 'Selling expenses', deducted from Gross Revenues, includes the costs of collecting, managing and selling pre-owned boats in trade-in and commission expense, the latter already previously allocated in the class of Net revenue and income.
This reclassification has no impact on either the operating result or the economic result for the year, nor on the other elements of the financial statements.
The Company believes that this change allows for a better application of the key principle of relevant disclosure set forth in the IASB's Conceptual Framework, providing more effective communication consistent with the business model pursued by the Group.

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The following table shows the changes made for each item in the financial statements compared to the values published in the Annual Financial Report as at 31 December 2021, and the comparative data have been reclassified accordingly.

(€'000)	31 December 2021 Approved	Reclassifications	31 December 2021 Reclassified
Revenues	687,970	–	687,970
Selling expenses	(19,925)	(76,733)	(96,658)
Net revenues	**668,045**	**(76,733)**	**591,312**
Other income	5,488	–	5,488
TOTAL NET REVENUE AND INCOME	**673,533**	**(76,733)**	**596,800**
Increases in assets for internal work	1,978	–	1,978
Raw materials, consumables and finished products	(247,780)	53,061	(194,719)
Outsourcing	(198,750)	–	(198,750)
Change in inventories of work in progress, semi-finished and finished products	(18,765)	19,685	920
Other service costs	(54,146)	3,987	(50,159)
Personnel expenses	(45,527)	–	(45,527)
Other operating costs	(5,598)	–	(5,598)
Accruals to provisions for risks and charges	(10,318)	–	(10,318)
Total operating costs	**(578,906)**	**76,733**	**(502,173)**
OPERATING RESULT BEFORE AMORTISATION AND DEPRECIATION	**94,627**	**–**	**94,627**
Amortisation, depreciation and impairment losses of fixed assets	(22,440)	–	(22,440)
OPERATING RESULT	**72,187**	**–**	**72,187**
Financial income	193	–	193
Financial expense	(1,353)	–	(1,353)
Net financial income/(expense)	**(1,160)**	**–**	**(1,160)**
Income/(expense) from equity investments	4	–	4
Adjustments to financial assets	(25)	–	(25)
PRE-TAX PROFIT	**71,006**	**–**	**71,006**
Income taxes	(19,655)	–	(19,655)

continue

(€'000)	31 December 2021 Approved	Reclassifications	31 December 2021 Reclassified
PROFIT/(LOSS) FOR THE PERIOD	**51,351**	**–**	**51,351**
Attributable to:			
Shareholders of the Parent Company	51,007	–	51,007
Non-controlling interests	344	–	344

3. Functional and presentation currency

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

4. Basis of measurement

These consolidated annual financial statements were prepared by applying the historical cost method, with the exception of derivatives, which are measured at fair value as required by IFRS 9 – Financial Instruments and equity investments measured at equity, as well as on a going concern basis. The Directors have verified that there are no material uncertainties (as defined in IAS 1 paragraph 25) in relation to the going-concern assumption.

5. Use of estimates and valuations

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

Valuations

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

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

A number of the Group's accounting standards and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
In measuring the fair value of an asset or liability, the Group uses observable market data insofar as possible. Fair values are allocated to different hierarchical levels on the basis of the input data used in the valuation techniques, as illustrated below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: input data other than Level 1 quoted prices, which are observable for the asset or liability, either directly (prices) or indirectly (price derivatives);
- Level 3: input data related to the asset or liability that is not based on observable market data is used.

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

Assumptions and estimation uncertainties

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

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

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

6. Accounting standards, amendments and interpretations effective from 1 January 2022

In preparing these financial statements, the same accounting standards and criteria have been applied as in the preparation of the last annual financial statements, to which reference is made for a detailed explanation, with the exception of the following amendments and interpretations to the accounting standards applicable as at 1 January 2022, which, however, did not have a significant impact on the Separate Financial Statements.

Amendment to IFRS 3 – Business Combinations

The IASB issued amendments to IFRS 3 to update it with respect to the amendments relating to the "Conceptual for Financial Reporting" without changing the accounting requirements for business combinations.

Amendment to IAS 16 – Property, Plant and Equipment

The purpose of the amendment is to disallow the deduction from the cost of tangible assets of the amount received from the
sale of goods produced in the test phase of the activity itself. Such sales revenues and the related costs will therefore be recognised in the income statement.

Amendments to IAS 37 – Onerous Contracts

In assessing the presence of an onerous contract, one must consider incremental costs and an allocation of costs directly attributable to contractual activities. On the other hand, general and administrative costs that do not directly relate to the contract are excluded unless they are explicitly borne by the other contracting party.

Amendments resulting from Annual improvements to IFRSs 2018 – 2020

Amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples of IFRS 16 Leases.

7. Operating segments

The Sanlorenzo Group comprises the following operating segments:

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

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

- that engage in business activities that generate revenues and costs;
- whose operating results are periodically reviewed at the highest operational decision-making level of the entity for the purpose of making decisions regarding the resources to be allocated to the segment and evaluating the results;
- for which separate accounting information is available.

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

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

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

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

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PERFORMANCE FOR THE YEAR

8. Revenues and selling expenses

(€'000)	31 December 2022	31 December 2021	Change
Revenues from contracts with customers	811,034	687,970	123,064
Selling expenses	(59,902)	(96,658)	36,756
Net revenues	**751,132**	**591,312**	**159,820**

Revenues from contracts with customers

Revenues from contracts with customers, which relate to the sale of yachts, new and pre-owned, and the provision of services, are shown in the above table gross and net of the related selling expenses related to commissions and the costs of collecting and handling pre-owned boats traded in.
During the period to 31 December 2022 revenues before selling expenses amounted to €811,034 thousand, an increase of €123,064 thousand compared to €687,970 thousand in the period at 31 December 2021.
A breakdown of revenues from contracts with customers by type is as follows.

(€'000)	31 December 2022	31 December 2021	Change
Revenues from the sale of new yachts	768,245	605,079	163,166
Revenues from the sale of pre-owned boats	32,336	77,423	(45,087)
Revenues from maintenance and other services	10,453	5,468	4,985
Revenues from contracts with customers	**811,034**	**687,970**	**123,064**

Revenues from the sale of new yachts came to €768,245 thousand as at 31 December 2022, up by €163,166 compared to 31 December 2021.
Revenues from the sale of pre-owned boats as at 31 December 2022 amounted to €32,336 thousand, a decrease of €45,087 thousand compared to €77,423 thousand as at 31 December 2021 due to lower volumes of pre-owned boats taken in trade-in in previous periods.
Revenues from maintenance services, the sale of spare parts for all types of yachts and other services amounted to €10,453 thousand at 31 December 2022, with an increase of €4,985 thousand compared to the period at 31 December 2021. These transactions, managed in specific orders received from customers, represent obligations other than the sale of yachts.

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

(€'000)	31 December 2022	31 December 2021	Change
Yacht Division	509,975	435,501	74,474
Superyacht Division	222,978	207,895	15,083
Bluegame Division	78,081	44,574	33,507
Revenues from contracts with customers	**811,034**	**687,970**	**123,064**

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

(€'000)	31 December 2022	31 December 2021	Change
Italy	110,336	74,414	35,922
Europe (other countries)	355,978	311,376	44,602
USA	105,452	109,381	(3,929)
Americas (other countries)	79,611	52,608	27,003
APAC	115,188	97,831	17,357
MEA	44,469	42,360	2,109
Revenues from contracts with customers	**811,034**	**687,970**	**123,064**

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

Selling expenses

(€'000)	31 December 2022	31 December 2021	Change
Commissions	(27,566)	(19,235)	(8,331)
Collection and handling costs for pre-owned boats	(32,336)	(77,423)	45,087
Selling espenses	**(59,902)**	**(96,658)**	**36,756**

Boat selling expenses include commissions and the costs of collecting, handling and selling pre-owned boats taken in trade-in.
In particular, commissions, which refer to the costs incurred by the Group for the brokerage activities performed by dealers and agents, increased in relation to the increase in revenues and the order book.
Costs for the collection and management of pre-owned boats amounted to €32,336 thousand, a decrease of €45,087 thousand compared to €77,423 thousand for the period ended 31 December 2021.
Please refer to the explanatory note "Basis of preparation" for further information on the new accounting policy followed with regard to pre-owned boats trade-in transactions.

9. Other income

(€'000)	31 December 2022	31 December 2021	Change
Gains on disposals of assets	551	9	542
Other revenue	6,861	5,479	1,382
Other income	**7,412**	**5,488**	**1,924**

Other income realised in the period to 31 December 2022 amounted to €7,412 thousand, an increase of €1,924 thousand compared to the previous year.

10. Operating costs

(€'000)	31 December 2022	31 December 2021	Change
Increases in internal work	(2,106)	(1,978)	(128)
Raw materials, consumables and finished products	247,677	194,719	52,958
Outsourcing	251,486	198,750	52,736
Other service costs	63,444	50,159	13,285
Change in inventories of work in progress, semi-finished and finished products	(1,876)	(920)	(956)
Personnel expenses	53,299	45,527	7,772
Other operating costs	6,595	5,598	997
Accruals to provisions and impairment losses	10,387	10,318	69
Operating costs	**628,906**	**502,173**	**126,733**

Operating costs amounted to €628,906 thousand and €502,173 thousand for 2022 and 2021, respectively. The increase compared to 31 December 2021, amounting to €126,733 thousand, is in line with the growth in revenues.
The work performed by the Group and capitalised refers to the costs of the personnel involved in the development of new boats, which are capitalised under the item development expenditure in relation to intangible assets.
Raw materials, consumables and finished products are presented net of returns, discounts, allowances and bonuses and are almost entirely related to the Parent Company. Outsourcing chiefly related to naval carpentry services, turnkey furnishings for yachts and superyachts, electrical and plumbing work and the fitting of the boat's interior and exterior.
The increases in the costs of raw materials, consumables and finished products and in the outsourcing costs mainly resulted from the increase in production volumes and, to a lesser extent, from the impact of inflationary phenomena over the past 24 months.
Other service costs mostly comprise costs for consulting services, transport costs, the board of directors' and statutory auditors' fees, travel expenses and cleaning and maintenance costs, mainly incurred by Sanlorenzo and Bluegame.
The change in inventories of work in progress, semi-finished and finished products was €(1,876) thousand and €(920) thousand respectively as at 31 December 2022 and 31 December 2021. Work in progress refers to orders of less or more than one year duration for which the contract with the customer was not yet finalised by the end of the year.

The increase in personnel expenses, equal to €7,772 thousand between 31 December 2022 and 31 December 2021, follows the growth trend of personnel linked to the expansion of the group, as shown in the following table:

	31 December 2022	31 December 2021	Change
Managers	35	36	(1)
White collars	608	471	137
Blue collars	121	90	31
Total employees	**764**	**597**	**167**

The average by qualification is shown below:

(in migliaia di Euro)	31 December 2022	31 December 2021	Change
Managers	36	34	2
White collars	559	445	114
Blue collars	120	92	28
Total employees	**715**	**571**	**144**

A breakdown of personnel expenses is as follows:

(€'000)	31 December 2022	31 December 2021	Change
Salaries and wages	39,871	33,711	6,160
Social security contributions	11,259	9,882	1,377
Post-employment benefits	2,169	1,934	235
Total personnel expense	**53,299**	**45,527**	**7,772**

Other operating costs mostly related to advertising for €3,343 thousand and €2,780 thousand in 2022 and 2021, respectively, and other sundry costs stood at €3,252 thousand and €2,818 thousand for 2022 and 2021, respectively. Between 2022 and 2021, other operating costs increased by €997 thousand.
As at 31 December 2022 accruals to provisions and impairment losses included €6,776 thousand related to job order completion activities and €3,611 thousand related to accruals to provisions for risks and guarantees on vessels.

11. Amortisation, depreciation and impairment losses of fixed assets

(€'000)	31 December 2022	31 December 2021	Change
Amortisation of intangible assets	7,377	6,376	1,001
Depreciation of tangible assets	19,365	16,064	3,301
Write-downs tangible assets	167	–	167
Amortisation, depreciation and impairment losses	**26,909**	**22,440**	**4,469**

Amortisation, depreciation and impairment losses amounted to €26,909 thousand and €22,440 thousand as at 31 December 2022 and 2021, respectively, with an increase of €4,469 thousand due to the full implementation of the investments made.
As at 31 December 2022, amortisation of intangible assets was equal to €7,377 thousand and mainly consisted of amortisation of development expenses for €5,784 thousand, amortisation of state concession of the La Spezia shipyard for €361 thousand, amortisation of the rights to use the Viareggio warehouses for €442 thousand and amortisation of software applications for €322 thousand.
Also at 31 December 2022, depreciation of tangible assets stood at €19,365 thousand, mainly referring to industrial and commercial equipment for €8,148 thousand, land and buildings for €5,570 thousand, other assets for €3,634 thousand and plants and machinery for €2,013 thousand.
In accordance with IAS 8 and IAS 38, the Sanlorenzo and Bluegame brands are no longer subject to amortisation as they are requalified, following a change of estimate in relation to their useful life, from intangible assets with a finite useful life to intangible assets with indefinite useful life. It should be noted that the total value of the amortisation of the two trademarks would in any case have been insignificant, i.e. €280 thousand.
For further details, please refer to the "Basis of Preparation" section of this Financial Report.

12. Net financial expense

(€'000)	31 December 2022	31 December 2021	Change
Financial income	281	193	88
Financial expense	(826)	(1,353)	527
Net financial expense	**(545)**	**(1,160)**	**615**

Net financial expense for 2022 amounted to €545 thousand, down by 53.0% compared to the previous year, due to the effect of the improved financial conditions applied to the Group by credit institutions, also following the positive renegotiation and refinancing of some credit lines in previous years and, to a lesser extent, thanks to foreign exchange gains and income from active liquidity management. Details are provided below for each item included in the item in question:

(€'000)	31 December 2022	31 December 2021	Change
Interest income – third parties and credit institutions	121	193	(72)
Interest income on loans to associated companies	48	–	48
Income from financial investments	112	–	112
Financial income	**281**	**193**	**88**

(€'000)	31 December 2022	31 December 2021	Change
Interest expense – banks	(763)	(899)	136
Interest expense – third parties	(9)	(12)	3
Interest expense on lease liabilities	(102)	(92)	(10)
Other financial expense	(172)	(200)	28
Foreign exchange rate gains/(losses)	220	(150)	370
Financial expense	**(826)**	**(1,353)**	**527**

13. Net income from equity investments and adjustments to financial assets

(€'000)	31 December 2022	31 December 2021	Change
Income/(expense) from equity investments	46	4	42
Adjustments to financial assets	49	(25)	74
Net income from equity investments and adjustments to financial assets	**95**	**(21)**	**116**

Income from equity investments, totalling €46 thousand, includes the effects of the valuation of associated companies at net equity (i.e. Carpensalda Yacht Division S.r.l., Restart S.p.A. in liquidation and Duerre S.r.l.) for a negative amount of €22 thousand and the proceeds from the acquisition of control of Polo Nautico Viareggio S.r.l. for the amount of €68 thousand.
For more details and information on investments in associated companies, please refer to the note "Associated companies" in these financial statements.
Adjustments to financial assets include the recognition of the fair value of financial instruments held by Sanlorenzo S.p.A. as part of the Company's strategy for investing and managing its cash for an amount of €82 thousand and write-downs of other financial assets for €33 thousand.
For more details and information on the composition of the portfolio, please refer to the note "Cash management" in these financial statements.

14. Income taxes

(€'000)	31 December 2022	31 December 2021	Change
Current taxes	(27,280)	(17,675)	(9,605)
Taxes relative to prior years	(895)	(1,092)	197
Deferred tax assets and liabilities	(635)	(888)	1,523
Income taxes	**(27,540)**	**(19,655)**	**(7,885)**

In 2022, income taxes stood at €(27,540) thousand, up by €(7,885) thousand over the previous year. This item mainly consists of current taxes, equal to €(27,280) thousand, taxes for prior years, equal to €(895) thousand, including the additional provision made to take into account the potential liabilities resulting from tax risks, and the negative change in deferred tax assets and liabilities, equal to €635 thousand.
Current taxes increased in 2022 by €9,605 thousand.
A reconciliation between the effective and theoretical tax expense is as follows:

(€'000)	31 December 2022	31 December 2021
Pre-tax profit	**102,279**	**71,006**
National tax rate	24%	24%
Theoretical income taxes	24,547	17,041
Non-relevant revenues and costs	(1,033)	(104)
IRAP	4,026	2,718
Income taxes	**27,540**	**19,655**

Income taxes in 2022 were equal to 26.9% of the Group's pre-tax result.

Current tax assets and liabilities

(€'000)	31 December 2022	31 December 2021	Change
Current tax assets	17,964	16,036	1,928
Current tax liabilities	(27,912)	(17,622)	(10,290)
Net assets/(liabilities) for current taxes	**(9,948)**	**(1,586)**	**(8,362)**

Net deferred tax assets

(€'000)	31 December 2022	31 December 2021	Change
Net deferred tax assets	5,495	5,963	(468)

Net deferred tax assets include the difference between deferred tax assets and liabilities that arose over the years.
Net deferred tax assets were equal to €5,495 thousand as at 31 December 2022 and €5,963 thousand as at 31 December 2021. The main temporary differences that have produced deferred tax assets regard the provisions for risks and charges made, impairment of pre-owned boats, and value adjustments on receivables.
Deferred tax assets are recognised when the management believes that they will be recovered through future taxable earnings on the basis of company plans. Deferred tax liabilities relate to income taxes for the current year and previous years to be paid in subsequent years in line with applicable tax regulations.

The tables below show the changes, the nature and the amount of the temporary differences relating both to the amounts credited to the income statement and to other comprehensive income (OCI) for the year ended 31 December 2022.

(€'000)	Tax effect as at 1 January 2022	Change in the period	Tax effect as at 31 December 2022
Deferred tax assets			
Provisions for risks and charges	5,313	709	6,022
Other write-downs	367	(105)	262
Amortisation, depreciation and deferred assets	432	(213)	219
Other	384	89	473
Total deferred tax assets with impact on income statement	**6,496**	**480**	**6,976**
Cash flow hedge reserve	366	(366)	–
Total deferred tax assets from other comprehensive income (OCI)	**366**	**(366)**	**–**
Total deferred tax assets	**6,862**	**114**	**6,976**
Deferred taxes			
Amortisation of development costs over useful life	898	(186)	712
Other	1	(1)	–
Total deferred tax assets with impact on income statement	**899**	**(187)**	**712**
Cash flow hedge reserve	–	728	728
Effect of IAS 19	–	41	41
Total deferred tax assets from other comprehensive income (OCI)	**–**	**769**	**769**
Total deferred tax liabilities	**899**	**582**	**1,481**
Net deferred tax assets	**5,963**	**(468)**	**5,495**

15. Earnings per share

The calculation of the earnings per share in the years ended 31 December 2022 and 2021 is indicated in the following table and is based on the ratio between the profit attributable to the shareholders of the Parent Company and the average number of ordinary shares for each period, net of portfolio treasury shares, equal to 123,202 as at 31 December 2022 and 58,666 as at 31 December 2021.
Diluted earnings per share were determined by dividing the Group's profit for the period by the weighted average number of Sanlorenzo S.p.A. shares outstanding in the period, excluding treasury shares, increased by the number of shares that could potentially be issued.

(in Euro)	31 December 2022	31 December 2021
Profit for the period attributable to the shareholders of the Parent company	74,154,484	51,007,320
Average number of shares for basic earnings per share	34,570,745	34,460,968
Basic earnings per share	**2.15**	**1.48**

(in Euro)	31 December 2022	31 December 2021
Profit for the period attributable to the shareholders of the Parent company	74,154,484	51,007,320
Average number of shares for diluted earnings per share	34,943,828	34,652,644
Diluted earnings per share	**2.12**	**1.47**

ASSETS

16. Property, plant and equipment

Property, plant and equipment amounted to €158,710 thousand and €134,988 thousand as at 31 December 2022 and 31 December 2021, respectively.
A breakdown of the item and its changes over the year are provided in the table below.

(€'000)	Land and buildings	Industrial equipment	Plant and equipment	Other assets	Fixed assets in progress	Total
Historical cost	91,205	70,028	15,392	15,580	2,513	194,718
Amortisation, depreciation and impairment losses accumulated	(28,240)	(39,491)	(5,571)	(8,925)	–	(82,227)
Net carrying amount as at 1 January 2021	**62,965**	**30,537**	**9,821**	**6,655**	**2,513**	**112,491**
Changes 2021						
Additions	19,678	8,238	3,797	4,663	1,690	38,066
Disposals	(3)	(1,433)	–	(137)	–	(1,573)
Reclassifications	963	(857)	(17)	(1,404)	(1,085)	(2,400)
Depreciation/amortisation	(4,382)	(7,572)	(1,577)	(2,533)	–	(16,064)
Utilisation of accrued depreciation	–	1,431	–	98	–	1,529
Provision reclassifications	(228)	1,234	17	1,916	–	2,939
Historical cost	111,843	75,976	19,172	18,702	3,118	228,811
Amortisation, depreciation and impairment losses accumulated	(32,850)	(44,398)	(7,131)	(9,444)	–	(93,823)
Net carrying amount as at 31 December 2021	**78,993**	**31,578**	**12,041**	**9,258**	**3,118**	**134,988**
Changes 2022						
Additions	16,721	9,813	3,269	6,590	280	36,673
Disposals	–	(295)	(93)	(221)	(368)	(977)
Change in the scope of consolidation	4,679	310	1,111	513	–	6,613
Reclassifications	757	887	23	(76)	(1,649)	(58)
Depreciation/amortisation	(5,570)	(8,148)	(2,013)	(3,634)	–	(19,365)
Utilisation of accrued depreciation	–	106	25	174	–	305
Provision reclassifications	24	(2)	–	509	–	531
Historical cost	134,000	86,691	23,482	25,508	1,381	271,062
Amortisation, depreciation and impairment losses accumulated	(38,396)	(52,442)	(9,119)	(12,395)	–	(112,352)
Net carrying amount as at 31 December 2022	**95.604**	**34.249**	**14.363**	**13.113**	**1.381**	**158.710**

The book value of property, plant and equipment at 31 December 2022 is made up as follows:

- Land and buildings equal to €95,604 thousand: these mostly refer to the Parent Company's buildings located at the production facilities in Ameglia (SP), Massa (MS), Viareggio (LU) and La Spezia (SP);
- Industrial equipment for €34,249 thousand: these mostly refer to technical equipment, mostly owned by the Parent Company, for scaffolding, handling and fibreglass moulding extraction and for the realisation of moulds.
- Plants and machinery equal to €14,363 thousand: they are mainly owned by the Parent Company and for the most part they relate to fire-fighting, electrical, hydraulic and suction systems.
- Other assets for €13,113 thousand: these refer for €9,457 thousand to the Parent Company and the remainder to the other Group companies. Other assets mainly relate to office furniture and equipment, motor vehicles and internal vehicles, equipment for trade fairs and electronic machines.
- Assets in progress equal to €1,381 thousand: these mainly refer to the Parent Company and only minimally to Bluegame and mainly include costs for the realisation of new models and moulds.

In 2022, tangible assets increased by €36,673 thousand and refer to assets in progress for €280 thousand, industrial equipment for €9,813 thousand, buildings for €16,721 thousand, other assets for €6,590 thousand and plants for €3,269 thousand.
In 2022, disposals were equal to €977 thousand, net of accumulated depreciation for €305 thousand and concerned industrial equipment and plant and equipment.
The change in the scope of consolidation amounting to €6,613 thousand represents the effect of the acquisition of the new subsidiaries in 2022.
Depreciation in 2022 was equal to €19,365 thousand, €3,301 thousand higher than in 2021, mostly as a result of the investments made during the current and previous year.

17. Goodwill

Goodwill is recognised in the consolidated financial statements at the date of acquisition of the control of a business pursuant to IFRS 3 and is the aggregate of the consideration transferred to acquire a business or a business unit and the algebraic sum of the fair values, assigned at the acquisition date, to the identifiable assets and liabilities acquired that composed such business or business unit.
As it has an indefinite useful life, goodwill is not amortised but is tested for impairment at least once a year unless some indications of impairment based on external and internal sources of information identified by the Group makes it necessary to test it for impairment also during preparation of the interim reports (in this regard, see note 19 Impairment test).
For impairment testing purposes, goodwill acquired as part of a business combination is allocated to the individual Cash-Generating Units (or groups of CGUs) that are expected will benefit from the combination synergies, in line with the minimum level for which that goodwill is monitored by the Group.

After its initial recognition, goodwill is valued at cost net of accumulated impairment.

(€'000)	31 December 2022	31 December 2021	Change
Goodwill	10,756	8,667	2,089

Goodwill amounted to €10,756 thousand as at 31 December 2022.
The value of the initial goodwill at 31 December 2021, equal to €8,667 thousand, relates to the deficit deriving from the merger by incorporation, which took place in 2008, into Sanlorenzo S.p.A., of the former parent company Happy Life S.r.l. together with its subsidiary FlyOpen S.p.A. This amount represents the residual value of goodwill net of amortisation carried out up to the date of First Time Adoption of the IFRS. The Group applied the exemption, provided by IFRS 1.C1 for business combinations, which allows the first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.
The increase over the previous period, totalling €2,089 thousand, is due, for €1,884 thousand, to the acquisition of the Equinoxe Group by Sanlorenzo S.p.A. and, for €205 thousand, to the acquisition of I.C.Y. S.r.l. by Bluegame S.r.l.
For further details on these acquisitions, see Note 37 "Business combinations and asset acquisitions".

18. Other intangible assets

As illustrated in the note "Basis of preparation", during 2022, and in particular starting from the half-year financial report, the item "Intangible assets with a finite useful life" was renamed in "Other intangible assets".
This item includes both intangible assets with a finite and indefinite useful life. Compared to previous periods, a change was made in the estimate of the useful life of the Sanlorenzo and Bluegame brands, in compliance with IAS 8 and IAS 38, which resulted in changing their classification from "Intangible assets with a finite useful life" to "Intangible assets with an indefinite useful life". The effect of the change in estimate is recognised prospectively. Therefore, the brands are no longer amortised but subjected to an impairment test (in this regard, please refer to as reported in note 19 Impairment Test).
The change in the accounting estimate of the Sanlorenzo and Bluegame brands became necessary because, unlike the past, the time horizon previously adopted for amortisation is no longer representative of their useful lives, mainly for the following reasons:

- greater global expansion of the companies and their brands, which are an expression not only of an excellent, exclusive product, but also of the top positioning of the companies themselves, recognised as leading international players in the luxury nautical segment;
- a considerable increase in revenue flow and order backlog, profitability levels and cash generation – factors that allow management to have better visibility of the future, supported by the considerable investment and development programmes in new production lines with a view to long-term environmental sustainability.

Other intangible assets stood at €51,374 thousand as at 31 December 2022 and €45,276 thousand as at 31 December 2021.

(€'000)	Concessions, licences, trademarks and similar rights	Other fixed assets	Development costs	Fixed assets in progress	Total
Historical cost	42,642	2,659	36,514	2,136	83,951
Amortisation, depreciation and impairment losses accumulated	(27,298)	(2,651)	(17,568)	–	(47,517)
Net carrying amount as at 1 January 2021	**15,344**	**8**	**18,946**	**2,136**	**36,434**
Changes 2021					
Additions	2,569	–	6,316	2,262	11,147
Disposals	(6)	–	–	–	(6)
Reclassifications	(17,353)	–	1,703	(1,685)	(17,335)
Depreciation/amortisation	(1,705)	(1)	(4,670)	–	(6,376)
Utilisation of accrued depreciation	–	–	–	–	–
Provision reclassifications	21,430	–	(18)	–	21,412
Historical cost	27,852	2,659	44,533	2,713	77,757
Amortisation, depreciation and impairment losses accumulated	(7,573)	(2,652)	(22,256)	–	(32,481)
Net carrying amount as at 31 December 2021	**20,279**	**7**	**22,277**	**2,713**	**45,276**
Changes 2022					
Additions	1,277	–	8,887	3,115	13,279
Disposals	–	–	(163)	(11)	(174)
Change in the scope of consolidation	274	12	34	–	320
Reclassifications	–	–	1,956	(1,938)	18
Depreciation/amortisation	(1,592)	(1)	(5,784)	–	(7,377)
Utilisation of accrued depreciation	–	–	32	–	32
Historical cost	29,403	2,671	55,247	3,879	91,200
Amortisation, depreciation and impairment losses accumulated	(9,165)	(2,653)	(28,008)	–	(39,826)
Net carrying amount as at 31 December 2022	**20,238**	**18**	**27,239**	**3,879**	**51,374**

As at 31 December 2022, other intangible assets include:

- concessions, licences, trademarks and similar rights, equal to €20,238 thousand, mostly related to the Parent Company. More specifically, the item mainly consists of the concession acquired together with the former Cantieri San Marco business unit in 2018 for €2,889 thousand, trademark of the Parent Company for €3,754 thousand, two mooring rights acquired by the Parent Company until 2067 in "Porto Mirabello", port facility in La Spezia for €1,683 thousand, net, the right of use for the Viareggio buildings acquired with the demerger of Polo Nautico Viareggio S.r.l. in previous years for €7,634 thousand, software for €839 thousand and sundry rights for €3,094 thousand.
- Other fixed assets equal to €18 thousand.
- Development costs, equal to €27,239 thousand: comprising costs to design and develop new boats incurred by the Parent Company and Bluegame.
- Assets in progress equal to €3,879 thousand, mostly consisting of development costs for the design and study of new boat models.

The line "Change in scope of consolidation" in the table shows the increase in intangible assets resulting from the acquisition of control of Polo Nautico S.r.l., I.C.Y S.r.l., Equinoxe S.r.l. and Equinoxe Yachts International S.r.l. for €320 thousand.

Recoverability of development costs

As at 31 December 2022 and 2021, other intangible assets include projects to develop new boats and innovative fibreglass, steel and aluminium solutions for medium to large boats in the amount of €27,239 thousand and €22,277 thousand, respectively.
Its design costs, over 8 years, were amortised based on a 12.5% rate.
Projects normally take between one to three years to develop (roughly 18 months for fibreglass boats) and the group usually recognises the related costs over this period. The design stage ends with the building of the prototype and the model is definitive for sale on the market (new boat design). However, the group may incur design costs after this if it decides to improve the boat, restyle it or if the customer requests customisation (boat design in production). Designs obviously have to reflect market trends and consider competitors' strategies. Due to difficulties in identifying the right moment for a new product to go to market, the Group defines its specific strategy in this respect each year.
Based on business forecasts, company management deems that the development costs recognised as at 31 December 2022 are recoverable.

19. Impairment test

With regard to goodwill and intangible assets with indefinite useful life, the impairment test was carried out in compliance with the provisions of the accounting standard IAS 36, which provides for two different configurations of recoverable value, represented by the value in use and the fair value less costs of disposal. Paragraph 18 of IAS 36 defines the "recoverable amount" as "the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use". In this case, as it was not possible to measure the fair value of the assets being tested for impairment, the estimate of their recoverable amount as at 31 December 2022 was made based on the values based on the concept of value in use.

The value in use was calculated with reference to the estimated operating cash flow foreseen for the three-year period 2023-2025, derived from the economic-financial data of the 2022 Preliminary Financial Statements, which constituted the starting basis for the projections for the three-year period of reference, prepared by Management solely for the purpose of calculating the impairment test by resolution of the Board of Directors on 9 February 2023.
The value in use thus obtained was compared with the carrying amount of net operating capital employed, including goodwill and other intangible assets with indefinite useful life, revealing a surplus (i.e., positive difference – so-called headroom – between the recoverable amount and the carrying amount) of about 471% with respect to the carrying amount.
The WACC was used as the discount rate and was estimated as follows:

- the risk-free rate was taken to be equal to the average rate of return on 10-year government bonds, i.e. 3.2%;
- an equity risk premium of 8.0% was used;
- a beta-levered coefficient was measured considering a basket of listed companies active in the same sector as the group and was equal to 1.07.

The cost of debt was estimated to be equal to 3.19%.
A debt-to-equity ratio of 29.89% was also used, equal to the average debt to equity ratio of a basket of comparables.
Application of this model led to the calculation of a discount rate of 9.23%.
The terminal value was calculated using the "perpetuity" formula, assuming a growth rate "g" of 2.0% and a normalised operating cash flow using the projections for 2025, the last year of the plan taken as reference for impairment test purposes.
The model's sensitivity to changes in these parameters was also tested, to test its robustness and accuracy.
In particular, the model was tested under the assumption of a change in the discount and growth rates of up to 1% and of a 10% decrease in the cash flows estimated based on forecasts. This sensitivity analysis did not suggest the presence of asset impairment.
From the analysis of the base scenario and the sensitivity analyses estimated on the basis of changes in the main parameters of the impairment test, it therefore appears that the value of goodwill and other intangible assets with indefinite useful life recorded in the Group's financial statements is recoverable.
The following table shows the WACC, growth rate "g" and percentage of operating cash flow that individually would make the CGU's recoverable amount equal to its carrying amount as at 31 December 2022.

	Base scenario	WACC	Growth rate	Operating cash flows
WACC	9.23%	49.83%	9.23%	9.23%
Growth rate (g)	2.0%	2.00%	-116.97%	2.00%
Operating cash flows	100.00%	100.00%	100.00%	16.57%

With regard to tangible and intangible assets with a finite useful life, the Group, on the basis of the provisions of accounting standard IAS 36, verified the presence of indicators that could have led to an impairment of these assets. These analyses did not reveal the need to make any adjustments to the carrying value of tangible and intangible assets with a finite useful life.

20. Equity investments and other non-current assets

(€'000)	31 December 2022	31 December 2021	Change
Equity investments in associates measured using the equity method	7,241	412	6,829
Equity investments in other companies	35	34	1
Financing to associates	4,150	–	4,150
Equity investments and other non-current assets	**11,426**	**446**	**10,980**

The changes relating to the item equity investments and other non-current assets that occurred during the financial years 2021 and 2022 are detailed in the table below:

(€'000)	Equity investments in associates	Equity investments in other companies	Financing to associates	Total
Value as at 1 January 2021	**378**	**34**	**–**	**412**
Investments in the year	34	–	–	34
Value as at 31 December 2021	**412**	**34**	**–**	**446**
Investments in the year	7,240	–	4,150	11,390
Measured with the equity method	(10)	–	–	(10)
Write-down for loss coverage	(20)	–	–	(20)
Change in the scope of consolidation	(381)	1	–	(380)
Value as at 31 December 2022	**7,241**	**35**	**4,150**	**11,426**

Equity investments in associates, measured using the equity method, amounted to €7,241 thousand and €412 thousand, respectively, as at 31 December 2022 and 2021.
Investments in the period totalled €7,240 thousand and related to the following acquisitions:

- On 10 February 2022, Sanlorenzo S.p.A. acquired a 48% stake in the share capital of Carpensalda Yacht Division S.r.l. ("CYD") from MEC Carpensalda S.a.s., a strategic supplier active in the production of metal structures of superyachts, for a consideration of €3.84 million.
- On 29 April 2022, Sanlorenzo S.p.A. has acquired a 33% stake in Duerre S.r.l., a historic company active since the 1940s in the handcrafted production of very high quality furniture intended in particular for superyachts, in the amount of €3.4 million.

The item Valuation using the equity method refers to the pro-rata net result for the year of the companies evaluated using the equity method for a total negative amount of €10 thousand relative to the results achieved by Carpensalda Yacht Division S.r.l., Sa.La. S.r.l. and Duerre S.r.l.

The item Write-down to cover losses, amounting to €20 thousand, relates to the write-down of the investment in Restart S.p.A., a company that was put into liquidation by an extraordinary shareholders' meeting of 23 December 2022.
The item Change in the scope of consolidation, negative for an amount of €380 thousand, refers to the reclassification from associated company to subsidiary company of the investment held by Sanlorenzo S.p.A. in the company Polo Nautico Viareggio S.r.l., following the acquisition of additional shares for a percentage equal to 2.68%.
Equity investments in other companies amount to €35 thousand, up by €1 thousand compared to the period as at 31 December 2021, and relate to insignificant percentage investments in companies or consortia.
Financing to associates amounted to €4,150 thousand.

21. Inventories

(€'000)	31 December 2022	31 December 2021	Change
Raw materials and consumables	11,418	8,889	2,529
Work in progress and semi-finished products	34,254	31,760	2,494
Finished products	8,222	28,611	(20,389)
Allowance for inventory write-down	(450)	(991)	541
Inventories	**53,444**	**68,269**	**(14,825)**

Inventories amounted to €53,444 thousand and €68,269 thousand as at 31 December 2022 and 31 December 2021, respectively.
Inventories of raw materials and consumables include the materials necessary to build the boats.
Work in progress and semi-finished products relate to the boat construction contracts that have not been finalised with the customer before year end. The change observed between 31 December 2022 and 31 December 2021 follows the consistent increase in sales achieved during the year.
The finished products comprise traded-in boats, which are recognised at cost when the group receives them and the value of which is adjusted at the end of each year to the presumed realisable value through the recognition of the relative allowance for write-downs.
During the valuation process of pre-owned boats, the Group relies on various elements such as the analysis of the specific characteristics of the pre-owned boats, the valuations carried out at the time of their purchase including age, current market trend, also through the indications of an independent third party, the uniqueness of each boat and of each trade negotiation, as well as the sales already concluded in the subsequent period. The project "Experienced Yachts", designed to diversify and qualify the pre-owned boats of the Group compared with the competition, provides for each boat that is part of the programme to be valued, managed and reconditioned by the Group's personnel in order to guarantee the stimatey of the boats' machinery and instruments.

The stimate e for inventory write-down, including finished products and raw materials, recorded an increase of €100 thousand, mainly related to the adjustment of the value of raw materials to the estimated realisable value, and a decrease of €641 thousand relative to the coverage of costs referring to work on used boats sold in the period.

(€'000)	Balance
Allowance for inventory write-down as at 31 December 2021	991
Allocations	100
Utilisations	(641)
Allowance for inventory write-down as at 31 December 2022	**450**

22. Contract assets and liabilities

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

(€'000)	31 December 2022	31 December 2021	Change
Contract assets (gross)	637,152	505,934	131,218
Advances received from customers	(468,517)	(388,740)	(79,777)
Contract assets (net)	**168,635**	**117,194**	**51,441**

Unsatisfied or partially unsatisfied performance obligations refer to all the boats (both with original expected duration within 1 year and more) and are expected to be recognised in accordance with production timing related to yacht (between 7 and 16 months on average) and superyacht (between 24 and 46 months on average).
The net balance of contract assets as at 31 December 2022 includes a positive amount of €2,414 thousand relating to the fair value measurement of currency hedges on contracts denominated in US dollars; as at 31 December 2021, this amount was positive for €953 thousand.

Net contract liabilities are as follows:

(€'000)	31 December 2022	31 December 2021	Change
Payables for work to be carried out	9,536	10,922	(1,386)
Total advances received from customers	591,350	480,766	110,584
Advances deducted from contract assets	(468,517)	(388,740)	(79,777)
Contract liabilities (net)	**132,369**	**102,948**	**29,421**

The item had a net balance of €132,369 thousand and €102,948 thousand as at 31 December 2022 and 31 December 2021, respectively. The change of €29,421 thousand recorded during the year mainly relates to the change in advances received from customers.

23. Trade receivables

(€'000)	31 December 2022	31 December 2021	Change
Receivables from customers	22,504	18,907	3,597
Loss allowance	(720)	(597)	(123)
Trade receivables	**21,784**	**18,310**	**3,474**

Trade receivables amounted to €21,784 thousand and €18,310 thousand as at 31 December 2022 and 31 December 2021, respectively. As at 31 December 2022, trade receivables increased compared with 31 December 2021, by €3,474 thousand.

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

Changes in the loss allowance in 2022 are as follows:

(€'000)	Balance
Loss allowance as at 31 December 2021	**597**
Uses/releases	(5)
Allocations	125
Other changes	3
Loss allowance as at 31 December 2022	**720**

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

(€'000)	31 December 2022	31 December 2021	Change
Italy	3,831	9,080	(5,249)
Europe (other countries)	10,487	8,835	1,652
Americas	1,747	386	1,361
APAC	445	6	439
MEA	5,274	3	5,271
Receivables from customers	**21,784**	**18,310**	**3,474**

A breakdown of receivables from customers by due date is as follows:

31 December 2022 (€'000)	Not expired	Overdue for (dd)		
		0-365	366-730	>730
Receivables from customers	20,895	215	286	288
Loss allowance	–	(146)	(286)	(288)
Receivables for customers to be invoiced	820	–	–	–
Receivables from customers	**21,715**	**69**	**–**	**–**

24. Other current assets

(€'000)	31 December 2022	31 December 2021	Change
Advances to suppliers	25,750	19,798	5,952
Other receivables	6,756	8,346	(1,590)
Other tax assets	12,714	12,267	447
Costs to obtain the contracts	7,318	8,041	(723)
Accrued income and prepaid expenses	7,850	5,885	1,965
Other receivables and other current assets	**60,388**	**54,337**	**6,051**

Other current assets amounted to €60,388 thousand and €54,337 thousand as at 31 December 2022 and 31 December 2021, respectively. All receivables in this category are considered collectible and therefore no impairment has been made on them.

25. Cash and cash equivalents

(€'000)	31 December 2022	31 December 2021	Change
Bank and postal current accounts	146,233	141,223	5,010
Cash on hand	84	49	35
Cash	**146,317**	**141,272**	**5,045**

Cash and cash equivalents amounted to €146,317 thousand and €141,272 thousand as at 31 December 2022 and 31 December 2021, respectively.
For further information on the change in cash and cash equivalents, reference should be made to the cash flow statement.

26. Other financial assets, including derivatives

(€'000)	31 December 2022	31 December 2021	Change
Derivatives	4,407	317	4,090
Other financial instruments	51,052	–	51,052
Other financial assets	**55,459**	**317**	**55,142**

Derivatives amounted to €4,407 thousand and €317 thousand as at 31 December 2022 and 31 December 2021 respectively. They include currency hedges (EUR/USD) and interest rate hedges with a positive fair value (Mark to Market Value) at the reporting dates. The Group uses derivatives to hedge against the risk of fluctuations in the US dollar for its sales in that currency and the risks that interest rates on its loans and borrowings may increase.

The item Other financial instruments includes a time deposit, bonds and a guaranteed capital life insurance contract, used by the Company to deploy excess liquidity. For further details, please refer to the note "Cash management" in these financial statements.

For further details regarding financial risk hedging instruments, please refer to the note "Financial instruments – Fair value and risk management" in these financial statements.

EQUITY AND LIABILITIES

27. Share capital and reserves

Group equity

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

(€'000)	Share capital	Share premium	Other reserves	Profit for the period	Group equity	Equity attributable to non-controlling interests	Total Equity
Value as at 31 December 2021	**34,539**	**77,197**	**66,295**	**51,007**	**229,038**	**103**	**229,141**
Allocation of profit for the year	–	–	51,007	(51,007)	–	–	–
Dividends distributed	–	–	(20,649)	–	(20,649)	–	(20,649)
Purchase of treasury shares	–	–	(2,051)	–	(2,051)	–	(2,051)
Stock option exercise	245	4,039	(367)	–	3,917	–	3,917
Other changes	–	–	601	–	601	862	1,463
Profit for the period	–	–	–	74,154	74,154	585	74,739
Other comprehensive income	–	–	3,521	–	3,521	–	3,521
Value as at 31 December 2022	**34,784**	**81,236**	**98,357**	**74,154**	**288,531**	**1,550**	**290,081**

The following table shows details of Other reserves.

(€'000)	Legal reserve	Extraordinary reserve	Consolidation reserve	Stock option reserve	Treasury shares reserve	Cash flow hedge reserve	Reserve FTA/OCI	Other reserves	Profit from previous years	Total
Value as at 31 December 2021	**4,659**	**67,013**	**(3,422)**	**607**	**(899)**	**(1,102)**	**(255)**	**(306)**	**-**	**66,295**
Allocation of profit for the year	2,219	42,159	–	–	–	–	–	–	6,629	51,007
Dividends distributed	–	(20,649)	–	–	–	–	–	–	–	(20,649)
Purchase of treasury shares	–	–	–	–	(2,051)	–	–	–	–	(2,051)
Stock option exercise	–	–	–	(367)	–	–	–	–	–	(367)
Other changes	–	–	1,625	332	–	(58)	(64)	283	(1,517)	601
Other comprehensive income	–	–	–	–	–	3,467	136	(82)	–	3,521
Value as at 31 December 2022	**6,878**	**88,523**	**(1,797)**	**572**	**(2,950)**	**2,307**	**(183)**	**(105)**	**5,112**	**98,357**

Share capital and share premium

Ordinary shares

As at 31 December 2022, the Parent Company's share capital amounted to €34,784 thousand, fully paid up, and consisted of 34,784,089 ordinary shares without nominal value, increased compared to 31 December 2021 due to the subscription of the capital increase to service the 2020 Stock Option Plan for 244,821 shares subscribed in 2022. The share capital was also subsequently increased in 2023 and, as at 28 February 2023, consists of 34,810,125 shares.

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

On 24 September 2020, the Company launched the treasury share buy-back program based on the authorisation resolution approved by the Ordinary Shareholders' Meeting of 31 August 2020, a plan which ended on 28 February 2022. Subsequently, on 2 September 2022, the Company initiated a new share buy-back program based on the authorisation resolution issued by the Ordinary Shareholders' Meeting on 28 April 2022. As at 31 December 2022, the Company held 123,202 treasury shares, equal to 0.354% of the subscribed and paid-up share capital.

Share premium

The share premium amounted to €81,236 thousand resulting from the capital increase carried out by the shareholders in the periods 2011 and 2013, its partial use in the year 2014 for a bonus issue, by the Parent Company, the decrease of €19,539 thousand due to the impact of the reverse merger with WindCo, the capital increase linked to the IPO transaction completed in 2019, equal to €65,160 thousand net of placement commissions, the increase in 2022 of €4,039 thousand for the exercise of the options relating to the Stock Option Plan.

Other reserves

(€'000)	31 December 2022	31 December 2021	Change
Legal reserve	6,878	4,659	2,219
Extraordinary reserve	88,523	67,013	21,510
Consolidation reserve	(1,797)	(3,422)	1,625
Stock option reserve	572	607	(35)
Reserve for treasury shares in portfolio	(2,950)	(899)	(2,051)
Cash flow hedge reserve	2,307	(1,102)	3,409
Reserve FTA/OCI	(183)	(255)	72
Reserve from offsetting of exchange differences/CTA	(261)	(442)	181
Post-merger reserve	49	49	–
Merger surplus	107	87	20
Profit from previous years	5,112	–	5,112
Other reserves	**98,357**	**66,295**	**32,062**

The item comprises:

- Legal reserve, which includes the allocation of period profits carried out by the Parent Company of €6,878 thousand according to the provisions of the Italian Civil Code.
- Extraordinary reserve relating to the Parent Company of €88,523 thousand and €67,013 thousand as at 31 December 2022 and 31 December 2021, respectively. The increase is due to the allocation of prior year profit, net of dividends distributed in 2022.
- Consolidation reserve, which includes the difference between the carrying amount of the group's equity investments and its share of the investees' equity. It had a negative balance of €1,797 thousand and €3,422 thousand as at 31 December 2022 and 31 December 2021 respectively.
- The Stock option reserve, recognised for a positive value of €572 thousand, expresses the value of the option, recognised on a straight-line basis over the period between the grant date and the vesting date. The aforementioned reserve refers to the stock incentive plan approved by the Ordinary Shareholders' Meeting of 21 April 2020 and reserved for executive directors and key employees of Sanlorenzo and its subsidiaries. For further details regarding this plan, please refer to the note "Share-based payments" in these financial statements.
- The Reserve for treasury shares in portfolio, negative for €2,950 thousand, relates to the purchase of 58,666 carried out in 2020 and 64,536 carried out in 2022.
- The Cash flow hedge reserve, relating to the Parent Company, was a positive €2,307 thousand as at 31 December 2022 and a negative €1,102 thousand as at 31 December 2021.

- Reserve FTA/OCI, which was affected by the transition of the financial statements to IFRS, in the amount of €(183) thousand as at 31 December 2022 and €(255) as at 31 December 2021.
- Reserve from elimination of exchange differences for €(261) thousand and €(442) thousand as at 31 December 2022 and 31 December 2021, respectively. The reserve was established in 2019 for the exchange differences between the profit and loss and balance sheet in the financial statements of Sanlorenzo of the Americas and for the differences in intra-group cancellations.
- Post-merger reserve of the Company with capital contributions from the shareholders for €49 thousand as at 31 December 2022 and 31 December 2021, respectively. This reserve has not changed.
- The merger surplus of €107 thousand relates to the Parent Company and was formed following the merger by incorporation with Eureka Imbarcazioni S.r.l., which took place in 2012, and with PN VSY S.r.l. in 2022.
- Profits from previous years for €5,112 thousand and €0 thousand respectively as at 31 December 2022 and 31 December 2021.

Equity attributable to non-controlling interests

The change in equity attributable to non-controlling interests is primarily due to the results of operations. The item stood at €1,550 thousand as at 31 December 2022 compared to €103 thousand as at 31 December 2021.

Capital management

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

28. Financial liabilities

(€'000)	31 December 2022	31 December 2021	Change
Medium/long-term bank loans and borrowings (beyond 12 months)	43,860	65,691	(21,831)
Other loans and borrowings – IFRS 16 (beyond 12 months)	5,399	3,417	1,982
Non-current financial liabilities	**49,259**	**69,108**	**(19,849)**
Short-term bank loans (within 12 months)	48,315	29,717	18,598
of which bank loans	*26,958*	*29,675*	*(2,717)*
of which advances	*4,000*	*–*	*4,000*
of which other short-term loans	*17,357*	*42*	*17,315*
Other short-term loans and borrowings – IFRS 16	2,448	1,402	1,046
Hedging derivative liabilities	1,417	2,356	(939)
Current financial liabilities	**52,180**	**33,475**	**18,705**
Financial liabilities	**101,439**	**102,583**	**(1,144)**

Non-current financial liabilities amounted to €49,259 thousand and €69,108 thousand as at 31 December 2022 and 31 December 2021, respectively. They mainly refer to long-term loans and borrowings stipulated by the Parent Company for €40,711 thousand and €62,242 thousand as at 31 December 2022 and 31 December 2021, respectively.
The non-current portion of other loans and borrowings amounted to €5,399 thousand and €3,417 respectively as at 31 December 2022 and 31 December 2021 and refers to the impact of application of IFRS 16.
Current financial liabilities, equal to €52,180 thousand and €33,475 thousand as at 31 December 2022 and 31 December 2021, respectively, referred to:

- the current portion of the bank loans for €26,958 thousand and €29,675 thousand, respectively as at 31 December 2022 and 31 December 2021, including the book value of the loans due within 12 months and the accruals of related interest due to the financing institutions;
- advances in the amount of €4,000 thousand, referring to Bluegame;
- other loans and borrowings of €2,448 thousand and €1,402 thousand respectively as at 31 December 2022 and 31 December 2021, entirely referred to the effect of the application of IFRS 16;
- liabilities for financial instruments, hedging foreign exchange and interest rate risks, totalling €1,417 thousand and €2,356 thousand as at 31 December 2022 and 31 December 2021, respectively.

The breakdown of financial debt by maturity date is shown in the table below:

(€'000)	31 December 2022	31 December 2021	Change
Within 1 year	52,180	33,475	18,705
From 1 to 5 years	46,032	64,681	(18,649)
Over 5 years	3,227	4,427	(1,200)
Total	**101,439**	**102,583**	**(1,144)**

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

(€'000)	
Financial liabilities as at 31 December 2021	**102,583**
Changes in fair value of derivatives	(939)
New loan proceeds	9,274
Loan repayments	(29,817)
Changes in other short-term financial liabilities	17,315
New lease finance (IFRS 16)	3,071
Repayment of lease finance (IFRS 16)	(45)
Other changes	(3)
Financial liabilities as at 31 December 2022	**101,439**

The breakdown of net financial debt of Sanlorenzo Group as at 31 December 2022 and as at 31 December 2021 is reported below:

(€'000)		31 December 2022	31 December 2021
A	Cash	146,317	141,272
B	Cash equivalents	–	–
C	Other current financial assets	55,459	317
D	**Liquidity (A + B + C)**	**201,776**	**141,589**
E	Current financial debt	(28,307)	(3,824)
F	Current portion of non-current financial debt	(23,873)	(29,651)
G	**Current financial indebtedness (E + F)**	**(52,180)**	**(33,475)**
H	**Net current financial indebtedness (G + D)**	**149,596**	**108,114**
I	Non-current financial debt	(49,259)	(69,108)
J	Debt instruments	–	–
K	Non-current trade and other payables	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(49,259)**	**(69,108)**
M	**Total financial indebtedness (H + L)**	**100,337**	**39,006**

For details, see the Report on Operations.

As at 31 December 2022, like in previous years, the Group was required to comply with some financial parameters (covenants) on loans to be calculated, on an annual basis, in the consolidated financial statements. As at 31 December 2022, these parameters were complied with.

Loan	Parameter	Limit
Banco BPM unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50
Cassa Depositi e Prestiti unsecured loan €10m 31.12.26	Net financial position/EBITDA	< 1.80
Cassa Depositi e Prestiti unsecured loan €10m 31.12.26	Net Financial Position/Equity	< 1.00
Crédit Agricole mortgage loan €15m 29.11.26	Net financial position/EBITDA	< 3.25
Crédit Agricole unsecured loan €7m 05.07.23	Net financial position/EBITDA	< 3.00
Deutsche Bank unsecured loan €7.5m 31.03.23	Net financial position/EBITDA	< 3.25
Deutsche Bank unsecured loan €7.5m 31.03.23	Net Financial Position/Equity	< 0.90
Intesa Sanpaolo unsecured loan €20m 30.06.26 (Circular Economy)	Net financial position/EBITDA	< 1.80
Intesa Sanpaolo unsecured loan €20m 30.06.26 (Circular Economy)	Net Financial Position/Equity	< 1.3
MPS unsecured loan €6m 31.12.23	Net financial position/EBITDA	< 1.00
MPS unsecured loan €6m 31.12.23	Net Financial Position/Equity	< 1.00
UniCredit unsecured loan €6m 30.09.25	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €6m 30.09.25	Net Financial Position/Equity	< 0.90
UniCredit unsecured loan €6m 30.09.25	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €10m 30.06.26	Net Financial Position/Equity	< 0.90
UniCredit unsecured loan €10m 30.06.26	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €4.5m 30.09.25	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €4.5m 30.09.25	Net Financial Position/Equity	< 0.90
UniCredit unsecured loan €4.5m 30.09.25	EBITDA/Financial expense	> 6.5

The following table shows the conditions and due dates of the loans as at 31 December 2022 and 31 December 2021, respectively.

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2022					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Sanlorenzo S.p.A.								
Banco BPM – Unsecured loan €10m 30.06.26	0.6%	2026	7,368	(8)	7,360	2,101	5,259	–
Banco BPM – Mortgage loan €814k 31.12.30	1.5%	2030	576	–	576	69	285	222
Banco BPM – Mortgage loan €7.41m 31.12.30	1.5%	2030	5,247	–	5,247	632	2,598	2,017
Banco di Sardegna – Unsecured loan €5m 30.09.25	–	2022	–	–	–	–	–	–
BNL – Unsecured loan €5m 30.06.2023	0.0%	2023	2,500	–	2,500	2,500	–	–
BPER – Unsecured loan €5m 30.09.25	0.9%	2025	2,765	–	2,765	1,001	1,764	–
Cassa Depositi e Prestiti – Unsecured loan €10m 31.12.26	1.1%	2026	5,714	1	5,715	1,429	4,286	–
Crédit Agricole – Mortgage loan €15m 29.11.26	1.0%	2026	6,360	(18)	6,342	1,558	4,784	–
Crédit Agricole – Unsecured loan €7m 05.07.23	0.8%	2023	1,080	–	1,080	1,080	–	–
Deutsche Bank – Unsecured loan €7.5m 31.03.23	1.0%	2023	375	–	375	375	–	–
Intesa Sanpaolo – Unsecured loan €3m 13.07.22	–	2022	–	–	–	–	–	–
Intesa Sanpaolo – Unsecured loan €20m 30.06.26 (Circular Economy)	0.6%	2026	15,556	(30)	15,526	4,436	11,090	–
MPS – Unsecured loan €6m 31.12.23	0.8%	2023	1,200	(2)	1,198	1,198	–	–
UniCredit – Unsecured loan €15m 31.12.22	–	2022	–	–	–	–	–	–
UniCredit – Unsecured loan €6m 30.09.25	0.7%	2025	4,125	(3)	4,122	1,499	2,623	–
UniCredit – Unsecured loan €10m 30.06.26	0.6%	2026	7,368	(7)	7,361	2,103	5,258	–
Simest – Facilitated loan "Capitalisation" 31.12.27	0.6%	2027	480	–	480	–	480	–
Simest – Facilitated loan for "Fairs and Exhibitions" 08.04.25	0.6%	2025	75	–	75	30	45	–
Total Sanlorenzo S.p.A.			**60,789**	**(67)**	**60,722**	**20,011**	**38,472**	**2,239**
Bluegame S.r.l.								
Unicredit – Unsecured loan €4.5m 30.09.25	0.8%	2025	3,094	(3)	3,091	1,124	1,967	–
Simest – Facilitated loan "Capitalisation" 31.12.27	0.6%	2027	357	–	357	–	357	–
Total Bluegame S.r.l.			**3,451**	**(3)**	**3,448**	**1,124**	**2,324**	**–**

31 December 2021						
Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
						Sanlorenzo S.p.A.
9,474	(14)	9,460	2,100	7,360	–	Banco BPM – Unsecured loan €10m 30.06.26
645	–	645	69	282	294	Banco BPM – Mortgage loan €814k 31.12.30
5,875	–	5,875	624	2,571	2,680	Banco BPM – Mortgage loan €7.41m 31.12.30
3,762	(1)	3,761	996	2,765	–	Banco di Sardegna – Unsecured loan €5m 30.09.25
5,000	–	5,000	3,750	1,250	–	BNL – Unsecured loan €5m 30.06.2023
3,762	(1)	3,761	996	2,765	–	BPER – Unsecured loan €5m 30.09.25
7,143	–	7,143	1,429	5,714	–	Cassa Depositi e Prestiti – Unsecured loan €10m 31.12.26
7,921	(34)	7,887	1,550	6,337	–	Crédit Agricole – Mortgage loan €15m 29.11.26
2,510	(3)	2,507	1,428	1,079		Crédit Agricole – Unsecured loan €7m 05.07.23
1,875	(1)	1,874	1,499	375	–	Deutsche Bank – Unsecured loan €7.5m 31.03.23
450	–	450	450	–	–	Intesa Sanpaolo – Unsecured loan €3m 13.07.22
20,000	(40)	19,960	4,429	15,531	–	Intesa Sanpaolo – Unsecured loan €20m 30.06.26 (Circular Economy)
2,400	(6)	2,394	1,196	1,198	–	MPS – Unsecured loan €6m 31.12.23
3,000	(5)	2,995	2,995	–	–	UniCredit – Unsecured loan €15m 31.12.22
5,625	(4)	5,621	1,498	4,123	–	UniCredit – Unsecured loan €6m 30.09.25
9,474	(9)	9,465	2,102	7,363	–	UniCredit – Unsecured loan €10m 30.06.26
480	–	480	–	360	120	Simest – Facilitated loan "Capitalisation" 31.12.27
90	–	90	15	75	–	Simest – Facilitated loan for "Fairs and Exhibitions" 08.04.25
89,486	**(118)**	**89,368**	**27,126**	**59,148**	**3,094**	**Total Sanlorenzo S.p.A.**
						Bluegame S.r.l.
4,219	(3)	4,216	1,124	3,092	–	Unicredit – Unsecured loan €4.5m 30.09.25
357	–	357	–	268	89	Simest – Facilitated loan "Capitalisation" 31.12.27
4,576	**(3)**	**4,573**	**1,124**	**3,360**	**89**	**Total Bluegame S.r.l.**

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2022					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Equinoxe S.r.l.								
UniCredit – Unsecured loan €150k 30.06.27	1,5%	2027	135	–	135	29	106	–
Total Equinoxe S.r.l.			**135**	**–**	**135**	**29**	**106**	**–**
I.C.Y. S.r.l.								
Banco BPM – Unsecured loan €200k 28.02.25	1,4%	2025	146	–	146	65	81	–
Crédit Agricole – Unsecured loan €16k 05.03.23	2,6%	2023	1	–	1	1	–	–
Crédit Agricole – Unsecured loan €220k 05.09.24	2,7%	2024	82	–	82	46	36	–
Total I.C.Y. S.r.l.			**229**	**–**	**229**	**112**	**117**	**–**
Polo Nautico Viareggio S.r.l.								
BPER – Unsecured loan €500k 30.09.27	1,5%	2027	455	–	455	91	364	
Cassa di Risparmio di Volterra – Unsecured loan €300k 10.11.27	2,2%	2027	296	–	296	58	238	
Total Polo Nautico Viareggio S.r.l.			**751**	**–**	**751**	**149**	**602**	**–**
Sanlorenzo of the Americas LLC								
Intesa Sanpaolo – Uncommitted credit facility $10m	2,7%	To revocation	5.533	–	5.533	5.533	–	–
Total Sanlorenzo of the Americas LLC			**5.533**	**–**	**5.533**	**5.533**	**–**	**–**
Group total			**70.888**	**(70)**	**70.818**	**26.958**	**41.621**	**2.239**

31 December 2021						
Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
						Equinoxe S.r.l.
–	–	–	–	–	–	UniCredit – Unsecured loan €150k 30.06.27
–	**–**	**–**	**–**	**–**	**–**	**Total Equinoxe S.r.l.**
						I.C.Y. S.r.l.
–	–	–	–	–	–	Banco BPM – Unsecured loan €200k 28.02.25
–	–	–	–	–	–	Crédit Agricole – Unsecured loan €16k 05.03.23
–	–	–	–	–	–	Crédit Agricole – Unsecured loan €220k 05.09.24
–	**–**	**–**	**–**	**–**	**–**	**Total I.C.Y. S.r.l.**
						Polo Nautico Viareggio S.r.l.
–	–	–	–	–	–	BPER – Unsecured loan €500k 30.09.27
–	–	–	–	–	–	Cassa di Risparmio di Volterra – Unsecured loan €300k 10.11.27
–	**–**	**–**	**–**	**–**	**–**	**Total Polo Nautico Viareggio S.r.l.**
						Sanlorenzo of the Americas LLC
1.425	–	1.425	1.425	–	–	Intesa Sanpaolo – Uncommitted credit facility $10m
1.425	**–**	**1.425**	**1.425**	**–**	**–**	**Total Sanlorenzo of the Americas LLC**
95.487	**(121)**	**95.366**	**29.675**	**62.508**	**3.183**	**Group total**

29. Trade payables

(€'000)	31 December 2022	31 December 2021	Change
Payables to suppliers	147,271	119,972	27,299
Payables to associated companies	8,336	153	8,183
Payables to holding company	372	–	372
Trade payables	**155,979**	**120,125**	**35,854**

Trade payables include payables to suppliers, associated companies and the holding company.
Payables to suppliers present a balance of €147,271 thousand and €119,972 thousand as at 31 December 2022 and 31 December 2021, respectively, while payables to associated companies present a balance of €8,336 thousand.
The following table shows a breakdown of payables to suppliers as current and non-current:

(€'000)	31 December 2022	31 December 2021	Change
Payables to suppliers	147,271	119,972	27,299
of which current	*147,271*	*119,972*	*27,299*
Payables to suppliers	**147,271**	**119,972**	**27,299**

The following table shows the breakdown of payables to suppliers by geographical area:

(€'000)	31 December 2022	31 December 2021	Change
Italy	139,717	114,088	25,629
Europe (other countries)	5,518	3,203	2,315
Americas	1,293	820	473
APAC	635	1,817	(1,182)
MEA	108	44	64
Payables to suppliers	**147,271**	**119,972**	**27,299**

30. Other current liabilities

(€'000)	31 December 2022	31 December 2021	Change
Social security contributions	2,461	1,904	557
Other liabilities	12,624	10,669	1,955
Accrued expenses and deferred income	16,774	10,065	6,709
Other current liabilities	**31,859**	**22,638**	**9,221**

Social security contributions refer to payables outstanding at the end of the year. The item consists of amounts due to INPS, INAIL and Previndai (Italian social security institutions) for contributions due on wages and salaries. They were equal to €2,461 thousand as at 31 December 2022 and €1,904 thousand as at 31 December 2021.
Other payables amounted to €12,624 thousand and €10,669 thousand as at 31 December 2022 and 31 December 2021, respectively. The increase of €1,955 mainly relates to the Parent Company and mainly refers to the payable to employees for salaries and accruals.
Accrued expenses and deferred income were up between 2021 and 2022 by €6,709 thousand. Deferred income mainly refers to commissions due, which accrue according to the progress of work on the construction of boats.

31. Employee benefits

(€'000)	31 December 2022	31 December 2021
Opening balance	**1,058**	**845**
Allocations	422	346
Interest	17	4
Utilisations	(200)	(158)
Incoming and outgoing employees	–	–
Present value as at 31 December	**1,297**	**1,037**
Net actuarial gains/(losses) based on past experience	64	12
Net actuarial gains/(losses) arising on changes to demographic assumptions	–	–
Net actuarial gains/(losses) arising on changes to financial assumptions	(252)	9
Closing balance	**1,109**	**1,058**

Post-employment benefits are recognised by the Group's Italian companies, in line with reference national legislation. They include benefits accrued by employees at the reporting date, net of advances received or sums transferred to the Italian pension funds Previndai, Gomma Plastica, Cometa or other pension funds or the INPS Treasury Fund.
In accordance with IAS 19, post-employment benefits are measured using actuarial valuation methods performed by an external expert. These methods are revised when necessary.
Post-employment benefits amounted to €1,109 thousand as at 31 December 2022.

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

FINANCIAL ASSUMPTIONS

	31 December 2022	31 December 2021
Annual discount rate	3.77%	0.98%
Annual inflation rate	2.30%	1.75%
Annual growth rate of post-employment benefits	3.23%	2.81%
Annual remuneration growth rate	0.50%	0.50%

DEMOGRAPHICAL ASSUMPTIONS

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

ANNUAL TURNOVER AND TFR ADVANCE FREQUENCIES

	31 December 2022	31 December 2021
Advances	1.00%	1.00%
Turnover rate	1.50%	1.50%

As at 31 December 2022, net actuarial gains based on past experience were equal to €64 thousand. These are gains/(losses) due to variations from one valuation to another in terms of new, outgoing and retired employees, requests for advances, etc. that differ from those assumed. There was also a net actuarial loss arising on changes in financial assumptions equal to €252 thousand.

32. Provisions for risks and charges

(in migliaia di Euro)	Provision for disputes	Provision for warranties	Exchange rates fluctuations	Provision for risks relating to pre-owned boats	Contract completion provision	Total
Value as at 31 December 2021	**5,921**	**5,432**	**150**	**1,311**	**–**	**12,814**
Allocations	900	475	108	354	–	1,837
Utilisations	(300)	–	(90)	(717)	–	(1,107)
Business combinations	1,931	–	–	–	–	1,931
Other changes/reclassifications	(1,234)	–	–	–	3,742	2,508
Value as at 31 December 2022	**7,218**	**5,907**	**168**	**948**	**3,742**	**17,983**

The provision for risks and charges includes the following items:

- Provision for disputes: this provision was established to cover risks related to litigation or potential liabilities of a civil and tax nature. The accrual made during the period, amounting to €900 thousand, mainly refers to the amount set aside as a precautionary measure by the Parent Company to cover professional fees and potential tax liabilities abroad. The business combinations line reported in the table shows the increase in the provision for risks deriving from the acquisition of control of Polo Nautico S.r.l. in the amount of €1,931 thousand, while the other changes relate to the portion of the provision used to settle the Parent Company's tax dispute with the Revenue Agency. For more details, please see the paragraph below.

- Provisions for warranty risks: item quantified based on the best estimate to date of the possible costs that will be incurred for repairs under warranty on yachts already sold at the end of the period and for which revenues have therefore been booked; The provision for warranty risks covers the new boats of the Parent Company and the subsidiary Bluegame S.r.l. The item stood at €5,907 thousand as at 31 December 2022 and €5,432 thousand as at 31 December 2021. The warranty period is two years for new boats and one year for pre-owned boats.
- Provision for exchange rate fluctuations: the balance amounts to €168 thousand.
- Provisions for risks on pre-owned boats: as at 31 December 2022, it amounted to €948 thousand and refers to the commitment for withdrawing pre-owned on new boats.
- Contract completion provision: this amounted to €3,742 thousand and refers to the reclassification of the provision previously included in contract liabilities.

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

(€'000)	31 December 2022	31 December 2021	Change
Provision for warranties	**5,907**	**5,432**	**475**
of which current	*4,407*	*3,998*	*409*
of which non-current	*1,500*	*1,434*	*66*
Total	**5,907**	**5,432**	**475**

Administrative, in-court and arbitration proceedings

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

At the approval date of these consolidated financial statements, the Group is involved in legal proceedings as part of its normal business activities. They could lead to fines or compensation for damage having to be paid.
As far as the Group is aware, these legal proceedings are normal given the Group's operations and size and the risks inherent in its business. Specifically, at the approval date of these consolidated financial statements, neither the holding company Sanlorenzo S.p.A nor the other Group's companies are involved in legal proceedings that could have a significant adverse effect. However, it cannot be excluded that their outcome could negatively affect the Group's financial position, financial performance and cash flows in the future.
Assisted by its legal advisors, the Group has not set up a specific provision for the possible liabilities that could arise from the proceedings in its consolidated financial statements as it deems that a negative outcome is possible or remote.
However, the Group cannot exclude that it may be required to disburse amounts in the future should the outcome of the proceedings not be in its favour.
Except as indicated below, as at the date of approval of these consolidated financial statements, there are no pending legal or arbitration disputes that may have, or have had in the recent past, significant repercussions on the financial situation or profitability of the Group.

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

Arbitration proceedings

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

Tax proceedings

As already extensively described in the Annual Financial Report as at 31 December 2021, the Parent Company, following the conclusion of tax audits carried out for direct tax and VAT purposes by the Revenue Agency – Regional Directorate of Liguria, was notified: (i) three notices of assessment for IRES, IRAP and VAT relating to the tax years 2013, 2014 and 2015 as well as a tax audit report and an invitation to cross-examination for IRES, IRAP and VAT relating to the tax year 2016. Against the notices of assessment, the Parent Company activated its defences in court, being victorious in the first instance with regard to the main allegation concerning VAT.
With reference to the tax audit relating to the 2016 tax period, in the course of 2022, a specific discussion was started with the Revenue Agency – Regional Directorate of Liguria aimed at the possible settlement of the audit on the aforesaid tax period, within the scope of the assessment with adhesion. During this discussion, the Company reached an agreement with the Revenue Agency – Regional Directorate of Liguria in order to define – benefiting from the favourable provisions contained in the Budget Law 2023 L. 197/2022 on the subject of settlement and facilitated conciliations of tax disputes – in an overall manner all the tax periods subject to assessment/verification (2013-2014-2015-2016) with a total charge of €1,513 thousand (including taxes, penalties and interest), compared to a total maximum risk of €8,547 thousand (also including the estimate of penalties and interest relating to the verification on the 2016 tax period). This total charge of €1,513 thousand is covered by the provision for risks set up in previous years. It should be noted that, during the trial, the Parent Company had made payments in the amount of €278 thousand and, therefore, the remaining debt is €1,234 thousand.
In relation to the agreement described above, the adhesion deeds with the Revenue Agency – Regional Directorate of Liguria for the individual tax periods will be signed in the first months of 2023, and the relevant payments will be made for the final settlement of the disputes.

Administrative proceedings

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

Financial instruments – Fair values and risk management

33. Derivatives

The Group uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. The item includes the fair value of the derivative instruments outstanding at each reference date.
Specifically, as at 31 December 2022, the Group had the following derivatives in its portfolio:

- forward agreements relating to sales of US dollars against euros for a notional total of €88,124 thousand taken out by the Parent Company and Bluegame designated as hedges of the amounts received in US dollars by the subsidiary Sanlorenzo of the Americas LLC;
- interest rate swaps and interest rate caps for a notional total of €37,291 thousand taken out by the Parent Company and Bluegame S.r.l. and designated as interest rate hedges on floating rate medium/long-term loans.

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

(€'000)	31 December 2022	31 December 2021	Change
Derivative assets with positive values			
Currency hedges	2,518	121	2,397
Interest rate hedges	1,889	196	1,693
Total assets	**4,407**	**317**	**4,090**
Derivative liabilities			
Currency hedges	–	(165)	165
Interest rate hedges	(1,417)	(2,191)	774
Total liabilities	**(1,417)**	**(2,356)**	**939**

At the end of each period, the Group determines whether there have been any transfers between the different "levels" of the fair value hierarchy by re-assessing their classification (if the inputs used to measure the fair value of an asset or liability are classified in the different levels of the fair value hierarchy, the entire valuation is placed in the same level of the hierarchy as the lowest level input that is significant to the entire valuation).
In this regard, it should be noted that there were no transfers between the "levels" of the fair value hierarchy in the period.

34. Cash management

In view of the strong cash generation at the operational level and the resulting significant cash held, the Group implemented a cash management and investment strategy.
As at 31 December 2022, the Group had the following financial instruments in its portfolio:

- non-restricted time deposits for €102,813 thousand, included in cash and cash equivalents and measured at fair value level 1;
- a restricted time deposit of €16,000 thousand, included in current assets and measured at fair value level 1;
- listed bonds and certificates related to investment-grade issuers with a market value of €30,082 thousand, measured at fair value level 1;
- a guaranteed-capital life insurance contract for €4,900 thousand, measured at fair value level 3;
- an investment fund in the amount of €59 thousand referred to Equinoxe S.r.l.

Given the characteristics of these financial instruments and the management purposes pursued, their fair value is recognised in profit/(loss) for the year (FVTPL).

(€'000)	31 December 2022	31 December 2021	Change
Restricted time deposits	16,000	–	16,000
Non-restricted time deposits	102,813	–	102,813
Listed bonds and certificates	30,082	–	30,082
Insurance policies	4,900	–	4,900
Investment funds	59	–	59
Total cash invested	**153,854**	**–**	**153,854**

35. Financial Risk Management

Credit risk

Credit risk represents the Group's exposure to potential losses that may arise from a counterparty's failure to meet its obligations.
It is noted that, given the type of products sold by the Group, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership. The yacht sale contracts also provide for the Company's right to withdraw from the contract in the event of non-payment of any sum due within the established terms, with the consequent withholding by the Company of any amount collected, refunding to the defaulting party the amounts paid by the latter with the proceeds from the resale of the yacht to a new purchaser, net of expenses, interest and an amount for loss of earnings.

Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Group business, the Group has a prevention and monitoring system, using external sources and internal systems that allow preventive controls on customers' reliability and solvency. Provisions are also made for doubtful or non-performing positions pending the conclusion of the related legal proceedings or out-of-court recovery attempts. The Group believes that the loss allowance is appropriate to cope with the risk of potential non-collection of past due receivables. For further details, please refer to the note "Trade receivables" in these financial statements.

Liquidity risk

Liquidity risk is represented by the possibility that a Group company or the Group may find itself in the position of not being able to meet its payment commitments, whether foreseen or unforeseen, due to a lack of financial resources, thus jeopardizing day-to-day operations or the financial position of the individual or the Group.
Liquidity risk may arise from any difficulty in obtaining timely funding to support operating activities and may manifest itself in the inability to obtain the necessary resources on economic terms.
Cash flows, funding requirements and liquidity are under the control of the Parent Company, with the aim of ensuring effective management of financial resources.
The Group has dealt with liquidity risk by reinvesting cash flows from operations, in addition to obtaining substantial lines of credit with a number of banks, the total amount of which is deemed more than sufficient to meet its financial requirements, also taking into account the effects of the seasonal nature of the sector on cash flows. The concentration of the collection of orders and deliveries in specific periods of the year, against the constant flow of payments to Group suppliers and contractors, has in fact, an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which short-term financial debt may be higher as a result of the lower flow of collections. The Group therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements.
As at 31 December 2022, the Group has bank credit lines to meet liquidity needs of €130,211 thousand, of which €120,678 thousand not used, in addition to €201,776 thousand of cash and against a total gross debt of €101,439 thousand (including lease liabilities and the fair value of derivatives). In view of its significant cash position, the Group has also implemented a prudent, diversified cash management strategy, favouring capital-protected or guaranteed products and financial instruments with counterparties of primary standing.
For further details on the maturity dates of the financial debt, see the note "Financial liabilities" in these financial statements.

Exposure to interest rate fluctuation

The Group is exposed to changes in interest rates on its medium-long term floating rate debt instruments, entirely referring to the Euro zone. The management of interest rate risk is consistent with established practice over time aimed at reducing the risk of volatility in interest rates and achieving an optimal mix between variable and fixed rates in the structure of loans, thereby mediating fluctuations in market interest rates in order to pursue, at the same time, the objective of minimising financial expense.
The Group manages the risk of interest rate fluctuations through the use of derivative hedging instruments, such as interest rate swaps or interest rate caps with financial counterparties of primary standing.
As at 31 December 2022, the Group has 6 interest rate swaps and 1 interest rate cap in place for a total notional amount of €58,876 thousand.

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

(€'000)	Fair value as at 31 December 2022	Change +10 basis points	Change -10 basis points
Interest rate hedges	2,517	2,577	2,458

Exposure to exchange rate fluctuations

The geographical distribution of Group commercial activities entails exposure to transaction and translation exchange rate risk.

Transaction risk arises from primarily commercial transactions carried out by individual companies in currencies other than their functional currency, as a result of fluctuations in exchange rates between the time at which the relationship originates and the time at which the transaction is completed (collection/payment).

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

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

As at 31 December 2022, it had forward contracts for the sale of US dollars relating to collections to be received for a total notional amount of €88,124 thousand.

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

The translation risk concerns the conversion into Euro of the assets and liabilities of Sanlorenzo of the Americas, which is the only subsidiary with a functional currency other than the Euro, for the preparation of the consolidated financial statements. This exposure, which is monitored at the end of each accounting period, is limited, also in view of the fact that assets are offset by liabilities in the same currency. Therefore, at this stage, it has been decided not to adopt specific hedging policies for this exposure.

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

(€'000)	Fair value as at 31 December 2022	Appreciation of 5% of US Dollar against Euro	Depreciation of 5% of US Dollar against Euro
Currency hedges	472	4,520	(3,997)

GROUP STRUCTURE

36. Subsidiaries

These Consolidated Financial Statements as at 31 December 2022 were prepared on the basis of the accounting positions of the Parent Company and its subsidiaries, adjusted to ensure compliance with the IFRS.
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has at the same time, the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date on which it ends.
The following table provides information, as at 31 December 2022, relating to name, registered office, currency, share capital, percentage of ownership held directly and indirectly by the Parent Company. For information on any equity investments acquired after 31 December 2022, please refer to the section "Significant events after the close of the period" of the Report on Operations.

Company name	Registered office	Currency	Share capital (currency unit)	Percentage of ownership	
				Direct	Indirect
Bluegame S.r.l.	Ameglia (SP) – Italy	Euro	100,000	100.0%	–
PN Sviluppo S.r.l.	Viareggio (LU) – Italy	Euro	40,000	100.0%	–
Sanlorenzo Arbatax S.r.l.	Ameglia (SP) – Italy	Euro	10,000	100.0%	–
Equinoxe S.r.l.	Turin (TO) – Italy	Euro	184,536	100.0%	–
Equinoxe Yachts International S.r.l.	Turin (TO) – Italy	Euro	200,000	–	100.0%
Polo Nautico Viareggio S.r.l.	Viareggio (LU) – Italy	Euro	667,400	52.49%	–
I.C.Y. S.r.l.	Adro (BS) – Italy	Euro	100,000	–	60.0%
Sanlorenzo Baleari SL	Puerto Portals, Mallorca – Spain	Euro	500,000	100.0%	–
Marine Yachting Monaco S.A.M.	Monte-Carlo – Principality of Monaco	Euro	150,000	99.7%	–
Sanlorenzo of the Americas LLC	Fort Lauderdale (FL) – USA	USD	2,000,000	90.0%	–
Fortune Yacht LLC	Fort Lauderdale (FL) – USA	USD	1,000	–	90.0%

Bluegame S.r.l.

This company, with registered office in Ameglia, was set up at the end of 2017 to acquire the historical "Bluegame" brand from Open Boat Italia, a company owning yacht moulds, under deed of arrangement. In 2019, the Parent Company acquired a 49.5% stake in Bluegame from other shareholders, which, added to the 50.5% stake already in its possession, has given it a 100% stake.
The company ended 2022 with a net profit equal to €4,642 thousand, up significantly compared to the €3,128 thousand recorded in 2021.

I.C.Y. S.r.l.

On 20 July 2022, Bluegame S.r.l. completed the purchase of 60% of the shares of I.C.Y. S.r.l., its historical partner in the production of some product lines; this acquisition is aimed at consolidating and increasing Bluegame's production capacity to support growth.
I.C.Y. S.r.l. has its registered office in Adro (Brescia), has a share capital of €100 thousand and closed the year 2022 with a profit of €15 thousand.

Equinoxe S.r.l. and Equinoxe Yachts International S.r.l.

Equinoxe S.r.l, founded in 1986 and based in Turin, has established itself over 30 years as a benchmark in charter services.
On 19 December 2022, Sanlorenzo S.p.A. finalised the acquisition of 100% of the share capital of Equinoxe S.r.l., and its wholly-owned subsidiary Equinoxe Yachts International S.r.l. operating in the same sector, for an amount of €2,100 thousand.
Subsequently, on 27 December 2022, the Board of Directors of Equinoxe S.r.l. approved the merger by incorporation of Equinoxe Yachts International S.r.l., a transaction that will be finalised in early 2023.
Equinoxe S.r.l., having 31 August as its tax year-end date, in order to align with the Sanlorenzo Group's closing date, changed this date to 31 December. It therefore closed for a period of four months (i.e. 1 September 2022 – 31 December 2022) with a negative result of €22 thousand.
Equinoxe Yachts International S.r.l. closed 2022 with a negative result of €23 thousand.

Sanlorenzo Arbatax S.r.l.

The company, based in Ameglia, was established on 14 October 2022 and has as its object the production of small/medium size composite semi-finished products. This activity will start in the course of 2023. As at 31 December 2022, the company had a loss of €31 thousand.

Sanlorenzo of the Americas LLC

Based in Fort Lauderdale (Florida, USA), this company's business objective is to sell Sanlorenzo boats to international customers in Canada, the US and Central and South America as well as acting as a dealer and providing post-sale support in these markets. Since its incorporation in September 2008, Sanlorenzo of the Americas has steadily promoted the Sanlorenzo brand in the American markets.
On 15 July 2019, Sanlorenzo S.p.A sold a 10% stake in Sanlorenzo of the Americas to the Chief Executive Officer of the company, Marco Segato.
In the year ended 31 December 2022, the subsidiary recorded a €6,261 thousand gain for IFRS purposes, against a €3,280 thousand gain as at 31 December 2021.

Sanlorenzo Baleari SL

This company, based in Puerto Portals, Mallorca (Spain) with a share capital of €500 thousand, provides support to the sales and customer service activities in Spain and the Balearic Islands.
In 2020, Sanlorenzo S.p.A. subscribed the entire share capital, increasing its stake from 51% to 100%.
In 2022, the company recorded a profit equal to €504 thousand, while in 2021 it recorded a profit of €270 thousand.

Marine Yachting Monaco S.A.M.

The company, with registered office in the Principality of Monaco and a share capital of €150 thousand, carries out sales support and service activity to customers in the area.
On 28 September 2020, Sanlorenzo S.p.A. acquired a 40.0% stake in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Currently, Sanlorenzo S.p.A. holds 99.7% of the share capital of Marine Yachting Monaco.
The company closed 2022 with a loss of €46 thousand, in line with the previous year.

PN Sviluppo S.r.l.

The company, based in Viareggio and with a share capital of €40 thousand, was established in December 2021 and holds 50% of the share capital of Restart SpA, a 50:50 joint venture established with Ferretti Group to participate in the auction for the acquisition of Perini Navi S.p.A., awarded in December 2021 to a third bidder.
The company closed 2022 with a loss of €20 thousand.

Fortune Yacht LLC

The company, headquartered in Fort Lauderdale and with a capital of USD 1 thousand, is wholly owned by Sanlorenzo of the Americas LLC and conducts brokerage business in the American market.
The company closed 2022 with a profit of €149 thousand.

37. Business combinations and asset acquisitions

Operation “ICY”

On 20 July 2022 Sanlorenzo, through its subsidiary Bluegame S.r.l., finalised the acquisition of 60% of I.C.Y. S.r.l. The transaction qualifies as a business combination as defined in IFRS 3.
The total consideration for the transaction is €925 thousand and the accounting of the acquisition has been determined on a provisional basis; the current values of the net assets acquired are €720 thousand and have been determined on the basis of the best estimate available at the date of preparation of this document, resulting in the recognition of goodwill in the amount of €205 thousand.

Equinoxe S.r.l. and Equinoxe Yachts International S.r.l.

On 19 December 2022, Sanlorenzo S.p.A. finalised the acquisition of 100% of the share capital of Equinoxe S.r.l., and its wholly-owned subsidiary Equinoxe Yachts International S.r.l.
The transaction qualifies as a business combination as defined in IFRS 3.
The total consideration for the transaction is €2,100 thousand and the accounting of the acquisition has been determined on a provisional basis; the current values of the net assets acquired are €216 thousand and have been determined on the basis of the best estimate available at the date of preparation of this document, resulting in the recognition of goodwill in the amount of €1,884 thousand.

Operation "Polo Nautico"

On 9 June 2022, Sanlorenzo S.p.A., already owner of a 49.81% share, acquired, for a consideration of €3 thousand, a 0.51% share in the company Polo Nautico Viareggio S.r.l., achieving control of the same with a total share of 50.32%.
In addition, on 28 July 2022, Sanlorenzo S.p.A. purchased, for a consideration of €14 thousand, an additional 2.17% stake in the company, increasing its shareholding to 52.49%.
Both transactions qualify as a business combination as defined in IFRS 3.
The purchase price of these additional shares was €17 thousand and the acquisition was provisionally accounted for; the current values of the assets acquired were determined based on the best estimate available at the date of preparation of this document, resulting in the recognition of income in the income statement equal to €68 thousand.

Operation "Mediterranea Real Estate"

On 28 July 2022, Sanlorenzo acquired 100% of the shares of the company Mediterranea Real Estate S.r.l., owner of a warehouse of about 1,000 square metres.
The total consideration for the transaction amounted to €1.1 million, and since it was the acquisition of a real estate asset, the assets and liabilities acquired do not meet the definition of IFRS 3 on business combinations. Therefore, these assets and liabilities were accounted for as acquisitions of individual assets and liabilities, allocating the difference between price paid and net assets acquired, amounting to €943 thousand, to the real estate asset acquired.

Operation "Cantiere Tomei"

On 28 July 2022, Sanlorenzo acquired 100% of the shares of Cantiere Tomei 1811 S.r.l., holder of a government concession to the land that hosts an industrial building of about 240 square metres and a yard used for storage activities of about 1,100 square metres in the Viareggio docks area.
The total consideration for the transaction amounted to €918 thousand, and since it was the acquisition of a real estate asset, the assets and liabilities acquired do not meet the definition of IFRS 3 on business combinations. Therefore, these assets and liabilities were accounted for as acquisitions of individual assets and liabilities, allocating the difference between price paid and net assets acquired, amounting to €498 thousand, to the real estate asset acquired.

38. Associated companies

At 31 December 2022, the Parent Company holds the following equity investments in associated companies, included in the Company's financial statements with the equity method:

Company name	HQ	Currency	Share capital (currency unit)	Percentage of ownership	
				Direct	Indirect
Carpensalda Yacht Division S.r.l.	Livorno (LI) – Italy	Euro	8,000,000	48.00%	–
Duerre S.r.l.	Vicopisano (PI) – Italy	Euro	1,000,000	33.00%	–
Restart S.p.A. in liquidation (through PN Sviluppo S.r.l.)	Milan (MI) – Italy	Euro	50,000	–	50.00%
Sa.La. S.r.l. (through Carpensalda Yacht Division S.r.l.)	Viareggio (LU) – Italy	Euro	50,000	–	48.00%

ADDITIONAL INFORMATION

39. Commitments

The most significant contractual commitments undertaken with third parties as at 31 December 2022 refer to:

- corporate guarantee issued by the Parent Company on a credit line granted to a brand representative amounting to €4,200 thousand;
- several guarantees for a total of €520 thousand and refer to sureties related to state concessions, public administrations and others.

40. Contingent liabilities

Legal proceedings of various kinds relating to the normal course of business are ongoing.
The Company's directors do not believe that any of these proceedings involve a risk of a significant cash outlay or may give rise to significant liabilities in excess of the allocations already made. They will evaluate any negative developments that cannot currently be foreseen or calculated, which may arise as a result of internal analyses or the ongoing judicial investigations and may then make a provision.

41. Share-based payments

On 21 April 2020, the Shareholders' Meeting of Sanlorenzo S.p.A. approved, pursuant to and for the purposes of Article 114-bis of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), the adoption of an incentive and loyalty plan called "Stock Option Plan 2020" reserved to the executive directors, general managers, managers with strategic responsibilities and employees with a permanent employment contract and qualification as at least an office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The 2020 Stock Option Plan provides for the free assignment to each of the beneficiaries of options that grant the right to subscribe ordinary shares of Sanlorenzo S.p.A. to be issued in execution of the share capital increase planned to service the plan, at a ratio of 1 share for each 1 option, at a price set at €16.00 per share.
Performance goals are determined by one or more of the following parameters: (i) Consolidated EBITDA as at 31 December of the relevant year; (ii) Consolidated Net Financial Position as at 31 December of the relevant year; and (iii) personal objectives established due to the Beneficiary's role and function.
The maximum total number of ordinary shares of Sanlorenzo S.p.A., which can be assigned to the beneficiaries for the implementation of the Plan, is equal to 884,615 ordinary shares, i.e. all the shares that can be issued in execution of the capital increase. As at 31 December 2022, a total of 879,285 options have been granted.
The vesting period of the options is four years, in compliance with the minimum average vesting period of two years provided for by the regulations.
As at 31 December 2022, a total of 422,619 options were exercisable (relating to the financial years 2020 and 2021), of which 284,089 options had been exercised by the end of the financial year.

42. Related parties

Business and financial relationships with related parties are governed under market conditions, taking into account the characteristics of the goods and services provided.
Transactions with related parties deemed relevant pursuant to the "Procedure on related-party transactions" adopted by the Group, available on the Company's website (www.sanlorenzoyacht.com) under the "Corporate Governance" section, are described below.
Business transactions and balances with consolidated companies were eliminated on consolidation and, therefore, are not commented upon.
In 2022, outstanding transactions with related parties regard primarily business and financial transactions carried out under market conditions, as listed below.

Holding Happy Life S.r.l.

Business transactions with Holding Happy Life S.r.l. (HHL), the holding company of Sanlorenzo, regard the contract for the acquisition of a Sanlorenzo SP110 yacht signed on 16 November 2020 based on the approval of the Sanlorenzo Board of Directors of 9 November 2020, which boat was paid for and delivered in the first half of 2022. On 5 November 2021, HHL and Sanlorenzo entered into an agreement to provide the aforementioned yacht for marketing activities – a contract previously approved by the Board of Directors on 4 November 2021, following a favourable opinion from the Related Parties Transaction Committee dated 3 November 2021.
On 13 September 2021, the Sanlorenzo Board of Directors, subject to the positive opinion of the Related-Party Transactions Committee on 30 July 2021, approved the sale to HHL of the prototype of the superyacht 50Steel equipped with a system of fuel cells powered by hydrogen obtained from methanol for the generation of electricity on board. The contract of sale of this boat was signed on 12 July 2022.

Nuova Nautical Transports S.r.l.

Business transactions with Nuova Nautical Transports S.r.l., the chief executive officer of which, Gian Paolo Tamburini, is the uncle of the Chairman and Chief Executive Officer Massimo Perotti and great uncle of the director Cecilia Maria Perotti, regard the on-road goods transport activity for Sanlorenzo, pursuant to the framework agreement entered into on 6 April 2020, expiring on 31 December 2022, based on the resolution of the Board of Directors of Sanlorenzo of 20 March 2020. On 27 April 2022, the Company was placed in liquidation.

World Yachts S.r.l.

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

Fondazione Sanlorenzo
Transactions with the Fondazione Sanlorenzo, established by the Perotti family on 19 April 2021, are related to the non-exclusive and free use license of the brand "Sanlorenzo" for the purpose of carrying out the foundation's institutional activities and to the initial contribution of €50 thousand paid in June 2021, following the resolution of the Board of Directors of Sanlorenzo of 4 May 2021. During 2022, the Company paid an additional €50 thousand.

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

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

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

The tables below provide information on transactions with related parties as at 31 December 2022 impacting the income statement as well as the balance sheet.

(€'000)	Revenues	Costs for raw materials, consumables and finished products	Outsourcing	Other service costs	Other operating costs	Personnel expenses	Net financial income/ (expense)
Holding Happy Life S.r.l.	13,303	–	–	(12)	–	–	–
Nuova Nautical Transports S.r.l.	–	–	–	(48)	–	–	–
World Yachts S.r.l.	3	(4,002)	(35)	–	–	–	–
Fondazione Sanlorenzo	–	–	–	–	(50)	–	–
Ferruccio Rossi	–	–	–	(67)	–	(1,055)	1
Antonio Santella	–	–	–	–	–	(452)	1
Cesare Perotti	–	–	–	–	–	(46)	–
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	(3,623)	–	(3,912)	–
Total related parties	**13,306**	**(4,002)**	**(35)**	**(3,750)**	**(50)**	**(5,465)**	**2**
Total consolidated financial statements	**758,544**	**(247,677)**	**(251,486)**	**(63,444)**	**(6,595)**	**(53,299)**	**545**
Incidence %	*1.8%*	*1.6%*	–	*5.9%*	*0.8%*	*10.3%*	*0.4%*

(€'000)	Property, plant and equipment	Other current assets	Contract assets	Trade receivables	Contract liabilities	Trade payables	Other current liabilities
Holding Happy Life S.r.l.	–	–	2,854	368	–	372	–
Nuova Nautical Transports S.r.l.	45	–	–	–	–	–	–
World Yachts S.r.l.	–	–	–	–	–	694	–
Fondazione Sanlorenzo	–	–	–	–	–	–	–
Ferruccio Rossi	–	133	–	–	–	–	597
Antonio Santella	–	75	–	–	–	–	78
Cesare Perotti	–	–	–	–	–	–	6
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	–	–	855
Total related parties	**45**	**208**	**2,854**	**368**	**–**	**1,066**	**1,536**
Total consolidated financial statements	**158,710**	**60,388**	**168,635**	**21,784**	**132,369**	**155,979**	**31,859**
Incidence %	–	*0.3%*	*1.7%*	*1.7%*	–	*0.7%*	*4.8%*

Remuneration paid by the Group

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

(€'000)	31 December 2022
Emoluments	3,539
Remuneration for participation in committees	41
Total remuneration paid to the Board of Directors	**3,580**

(€'000)	31 December 2022
Total remuneration paid to the Board of Statutory Auditors (excluding statutory increases)	110
Total remuneration paid to the Board of Statutory Auditors	**110**

(€'000)	31 December 2022
Total remuneration paid to the Managers with strategic responsibilities	**5,465**
of which gross annual salary	*2,393*
of which bonus	*700*
of which transactions	*594*
of which fair value of stock options	*154*

Remuneration to the Independent Auditing Firm

The Consolidated Financial Statements are audited by BDO Italia S.p.A. in accordance with the assignment conferred by the Shareholders' Meeting of 23 November 2019, which runs for nine financial years (2019-2027). Pursuant to Article 149-duodecies of the Issuers' Regulations, the remuneration paid to the Independent Auditing Firm is provided below.

(€'000)	Party that provided the service	Remuneration for 2022
Statutory Audit	BDO Italia S.p.A.	114
Total remuneration paid to the Independent Auditing Firm		**114**

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

During 2022, the grants in the following table were awarded to the companies of the Group.

Beneficiary	Amount recognised (Euro)	Description
Sanlorenzo S.p.A.	10,000	Trade fair voucher payable to companies for participation in international trade fairs organised in Italy, pursuant to Article 25-bis of Decree Law No. 50 of 17 May 2022.
Sanlorenzo S.p.A.	27,000	Training to compete in boating
Sanlorenzo S.p.A.	3,855	Tax credit for incremental advertising investments in newspapers, periodicals and local television and radio stations
Bluegame S.r.l.	2,154	Tax credit for incremental advertising investments in newspapers, periodicals and local television and radio stations
Polo Nautico Viareggio S.r.l.	6,720	Regulation for interprofessional funds for continuing training for the granting of state aid exempted under Regulation (EC) No 651/2014 and de minimis under Regulation (EC) No 1407/2013 – "ST.A.R.T: TOOLS AND ACTIONS FOR TERRITORIAL REVITALISATION"
Equinoxe S.r.l.	1,500	National State Aid Framework Scheme – COVID 19 (articles 54 – 61 of DL Relaunch as amended by article 62 of DL 104/2020) – BONUS RISTORI MISURE 3 AND 4

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

Management and coordination activities

In addition to the situation of control pursuant to Article 93 of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), the parent company Holding Happy Life S.r.l does not exercise management and coordination activities over Sanlorenzo pursuant to Articles 2497 et seq. of the Italian Civil Code.
It should be noted that, pursuant to Article 2427 of the Italian Civil Code no. 22 quienquies and sexies, the company that draws up the consolidated financial statements of the largest group of companies of which the company is part is Holding Happy Life S.r.l. with registered office in Turin, Via Ettore De Sonnaz 19, while the company that prepares the consolidated financial statements of the smallest group is Sanlorenzo S.p.A.

ACCOUNTING STANDARDS

Significant accounting standards

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

Basis of preparation

The consolidated financial statements as at 31 December 2022 include the consolidated statements of financial position, profit or loss, other comprehensive income, consolidated changes in equity, statement of cash flows, and the related accompanying notes.
The consolidated financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS include the ruling International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The consolidated financial statements have been prepared using the historical cost method (any exceptions to this method are explained below) and the going concern assumption. The Directors have in fact, determined that there are no significant uncertainties (as defined by paragraph 25 of IAS 1) on business continuity.
Among the options allowed by IAS 1, the Group elected to present its assets and liabilities as current or non-current and its income statement classifying costs by nature. The statement of cash flows is prepared using the indirect method.
The significant accounting standards adopted to prepare the consolidated financial statements applied to all the periods presented and by all the Group's companies are described below.
Unless specified otherwise, the accounting standards have been applied consistently to all the periods included in the consolidated financial statements. Please refer to note "Significant accounting standards" for more information and details regarding the application of the accounting standards.

Basis of consolidation

Business combinations

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

The potential consideration is booked at fair value on the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Subsidiaries

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

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions between shareholders.

Loss of control

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

Equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

The Group has significant influence over financial and management policies of the associates, even though it does not have control or joint control.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into each company's functional currency of the Group at the exchange rate at the transaction-date.

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

Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments, are translated into euro, which is the Parent Company's functional currency and the consolidated financial statements' presentation currency. The closing rates are used. Revenue and costs of foreign operations are translated into Euro using the average period rates.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

Revenues from contracts with customers

In accordance with IFRS 15, revenues from contracts with customers are recognised when control of the good or service is transferred to the customer either over time or at a point in time.

In relation to pre-owned boats, since the acquisition of the same takes place following the sales of new boats and constitutes part of the payment of the agreed price, it should be noted that, according to IFRS 15, the sale price of new boats and therefore also the calculation of the related revenues reflects the difference between the contractually attributed value of the pre-owned boats and their relative fair value.

Contracts for the sale of new boats that meet the requirements for the recognition of revenue over time are classified as "contract assets" or "contract liabilities" depending on whether the difference between the fulfilment of the performance obligation by the Group and the progress payments received from the customer is positive or negative. In particular:

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

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

Employee benefits

Short-term employee benefits

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

Share-based payment transactions

The Group implements share-based payment transactions settled with equity instruments, as part of the remuneration policy adopted for executive directors, general managers, managers with strategic responsibilities and employees with a permanent contract of employment and at least one office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The theoretical benefit attributed to the beneficiaries of the stock option plan is charged to the income statement, with a contra-entry in the shareholders' equity reserve, over the period during which the beneficiaries obtain the right to the incentives (vesting period).
The amount recognised as an expense is adjusted to reflect the actual number of incentives for which the conditions of continued service and non-market performance have vested, so that the final amount recognised as an expense is based on the number of incentives meeting those conditions as of the vesting date. In the case of incentives recognised in share-based payment whose conditions are not to be considered vesting, the fair value at the grant date of the share-based payment is measured to reflect those conditions. With reference to the non-vesting conditions, any differences between the assumptions on the allocation date and the actual ones will have no impact on the financial statements.

This benefit is quantified by measuring the fair value of the shares at the grant date using financial valuation techniques, including any market conditions in the valuation, and adjusting at each reporting date the number of rights expected to be granted.

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

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

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

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

Public contributions

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

Cost recognition

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

Financial income and expense

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

Income taxes

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

EMARKET SDIR CERTIFIED

Current taxes

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

Deferred taxes

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

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

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

Trade receivables

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

a) significant financial difficulty of the borrower;

b) pending legal disputes with the borrower about the recoverability of the amount;

c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

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

Inventories

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

Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation/amortisation

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

Thestimateed useful lives for current and comparative periods are as follows:

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

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

Intangible assets and goodwill

Recognition and measurement

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

Subsequent costs

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

Amortisation

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

Development costs	8 years – 12.50%
Software	5 years – 20%
Mooring	Transaction duration
Other	Based on the duration of individual transactions

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

Cash and cash equivalents

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

Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.

Financial assets: classification and subsequent valuation

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

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

The Group defines their classification in line with the business model within which the financial assets are held and the contractual cash flow characteristics of the financial asset.

Financial assets are not reclassified after their initial recognition unless the Group modifies the business model for the management of financial assets. In this case, all involved financial assets are reclassified on the first day of the year following the change made to the business model.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This choice is made for each asset.

All financial assets not classified as valued at amortised cost or at FVOCI, as indicated above, are valued at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: assessment of the business model

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

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

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

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

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

Financial assets: subsequent valuation and profits and losses

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

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

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

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

Derecognition

Financial assets

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

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified contractual terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to currency and interest rate risks.

Derivatives are always measured at fair value through profit or loss, unless they qualify for hedge accounting for a specific risk related to the Group's underlying asset or liability or commitments.

At inception of the designed hedging relationship, the Group documents its risk management objective and strategy, the economic relationship between the hedged item and the hedging instrument and whether changes in the cash flows of the hedged item and the hedging instrument will offset each other.

Cash flow hedges

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

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

If a hedged forecast transaction leads to the subsequent recognition of a non-financial asset or liability, for example, inventories, the gain or loss accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the asset or liability at recognition. The gain or loss for all other hedged planned transactions is reclassified from the hedging reserve and the costs of hedging reserve to profit or loss in the same year or years in which the hedged future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial asset or liability, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Share capital

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

Impairment losses

Non-derivative financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

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

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

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

The loss allowance for trade receivables and contract assets is always measured considering their lifetime expected credit losses.
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Group considers reasonable and supportable information that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition to estimate the expected credit losses. This includes quantitative and qualitative information and analyses, based on the Group's historical experience, on credit assessment as well as on information indicative of expected developments ("forward-looking information"). The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Impaired financial assets

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

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

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

Impaired non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the Group estimated the asset's recoverable amount. The recoverable value of goodwill is, on the other hand, estimated annually.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss of the year. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Provisions

A provision is recognised when, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation.
The discount rate used to calculate the present value of the liability reflects assessments of the time value of money and the risks specific to the liability. Changes in estimates are recognised in the income statement in the year the change takes place. The disclosure required by IAS 37 – Provisions, contingent assets and contingent liabilities is not provided for some disputes in order not to jeopardise the Group's position vis-à-vis these disputes or negotiations.
Risks for which a liability is solely possible are disclosed in the section of the notes on commitments and risks and no provision is made.
With respect to contract assets and liabilities, if the business plan is revised during the contract term and the contract becomes onerous, the portion of the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it is recognised in full in the period in which they are expected to be incurred and provided for in a "Provision for onerous contracts" under current provisions for risks and charges. The reversal of these provisions is recognised as absorption within "Other operating revenues".

Leases

Determining whether an arrangement contains a lease

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

Leased assets

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

Lease payments

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

Operating result

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

Fair value measurement

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

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

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

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

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

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

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

New accounting standards, amendments and interpretations

The following table summarises the interpretations and amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB, indicating those endorsed or not endorsed for adoption in the European Union at the date of approval of these Financial Statements, which have not been adopted early by the Companies of the Group:

Reference Accounting Standard	Effective date
Amendments to IAS 1 "Disclosure of accounting policies"	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statements and IFRS practice statement 2"	1 January 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	1 January 2023
IFRS 17 "Insurance Contracts" and Amendments to IFRS 17 "Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	1 January 2023
Amendments to IFRS 16 "Leases: Lease Liability in sale and leaseback"	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants"	1 January 2024

Ameglia, 14 March 2023

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

certification pursuant to article 154-bis

Certification pursuant to Article 154-bis of Italian Legislative Decree 24 February 1998 no. 58 (Consolidated Law on Finance) and Article 81-ter of Consob Regulation no. 11971 of 14 May 1998

1. The undersigned, Massimo Perotti, in his capacity as the Chair and Chief Executive Officer of the Board of Directors and Attilio Bruzzese, in his capacity as the Manager charged with preparing the company's financial reports of Sanlorenzo S.p.A., confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in terms of the characteristics of the Company and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements for 2022.
2. From the application of the administrative and accounting procedures for the preparation of the annual consolidated financial statements as at 31 December 2022, no significant facts need to be reported.
3. It is hereby also stated that:
   3.1 the annual consolidated financial statements:
      a) have been prepared in compliance with the international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
      b) correspond to the accounting books and records;
      c) provide a true and fair representation of the equity, economic and financial situation of the issuer and the whole of the companies included in the scope of consolidation;
   3.2 The report on operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Ameglia, 14 March 2023

Mr. Massimo Perotti
Chairman and Chief Executive Officer

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


SEVEN SINS

IV

ANNUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

accounting statements

ANNUAL STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	31 December 2022		31 December 2021	
ASSETS					
Non-current assets					
Property, plant and equipment	*15*		138,701		124,171
Goodwill	*16*		8,667		8,667
Other intangible assets	*17*		46,103		39,626
Equity investments and other non-current assets	*19, 35, 36*		17,098		3,600
of which investments measured using the equity method		*7,230*		*332*	
Net deferred tax assets	*14*		4,859		5,555
Total non-current assets			**215,428**		**181,619**
Current assets					
Inventories	*20*		42,761		64,312
Contract assets	*21*		156,178		111,750
Other financial assets, including derivatives	*25*		66,546		15,669
Trade receivables	*22*		24,733		18,064
Other current assets	*23*		48,386		44,863
Cash and cash equivalents	*24*		139,351		134,314
Total current assets			**477,955**		**388,972**
TOTAL ASSETS			**693,383**		**570,591**

(€'000)	Notes	31 December 2022	31 December 2021
EQUITY			
Share capital	*26*	34,784	34,539
Share premium	*26*	81,236	77,197
Other reserves	*26*	95,181	70,170
Profit/(loss) for the period		63,355	44,378
Total equity		**274,556**	**226,284**
Non-current liabilities			
Non-current financial liabilities	*27*	44,192	65,095
Non-current employee benefits	*30*	623	798
Non-current provision for risks and charges	*31*	8,496	1,184
Total non-current liabilities		**53,311**	**67,077**
Current liabilities			
Current financial liabilities, including derivatives	*27*	40,326	30,708
Current provisions for risks and charges	*31*	8,089	11,997
Trade payables	*28*	137,198	108,814
Contract liabilities	*21*	142,643	103,167
Other current liabilities	*29*	25,940	19,345
Other current tax liabilities		2,818	2,076
Net current tax liabilities	*14*	8,502	1,123
Total current liabilities		**365,516**	**277,230**
TOTAL LIABILITIES		**418,827**	**344,307**
TOTAL EQUITY AND LIABILITIES		**693,383**	**570,591**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(€'000)	Notes	31 December 2022	31 December 2021
Revenues	*8*	710,616	622,036
Selling expenses	*8*	(50,933)	(83,341)
Net revenues		**659,683**	**538,695**
Other income	*9*	6,797	4,873
Total net revenue and income		**666,480**	**543,568**
Increases in internal work	*10*	1,795	1,637
Costs for raw materials, consumables and finished products	*10*	(201,781)	(169,048)
Outsourcing	*10*	(237,858)	(191,211)
Change in inventories of work in progress, semi-finished and finished products	*10, 20*	1,050	3,062
Other service costs	*10*	(57,162)	(47,465)
Personnel expenses	*10*	(47,461)	(41,738)
Other operating costs	*10*	(5,476)	(4,729)
Accruals to provisions for risks and charges	*10, 31*	(6,483)	(9,747)
Total operating costs		**(553,376)**	**(459,239)**
Operating result before amortisation and depreciation		**113,104**	**84,329**
Amortisation, depreciation and impairment losses of fixed assets	*11, 15, 17*	(23,970)	(20,643)
Operating result		**89,134**	**63,686**
Financial income	*12*	333	280
Financial expense	*12*	(594)	(1,050)
Net financial income/(expense)		**(261)**	**(770)**
Income/(expense) from equity investments	*13*	(10)	–
Adjustments to financial assets	*13*	82	(25)
Pre-tax profit		**88,945**	**62,891**
Income taxes	*14*	(25,590)	(18,513)
PROFIT/(LOSS) FOR THE YEAR		**63,355**	**44,378**

(€'000)	31 December 2022	31 December 2021
Other comprehensive income		
Other comprehensive income that will not be subsequently reclassified to net profit		
Actuarial change in accruals for employee benefits	106	2
Income taxes relating to actuarial changes in provisions for employee benefits	(30)	(1)
Total	**76**	**1**
Other comprehensive income which will be subsequently reclassified to net profit		
Changes in the cash flow hedge reserve	4,310	(1,465)
Income taxes related to changes in the cash flow hedge reserve	(1,034)	352
Total	**3,276**	**(1,113)**
Total other comprehensive income for the period, net of tax effect	**3,352**	**(1,112)**
COMPREHENSIVE NET PROFIT FOR THE YEAR	**66,707**	**43,266**

STATEMENT OF CHANGES IN EQUITY

(€'000)	Share capital capital	Share premium	Total other reserves	Legal reserve	Extraordinary reserve	Other reserves	Profit for the period	Total equity
Value as at 31 December 2020	**34,500**	**76,549**	**47,347**	**2,960**	**45,066**	**(679)**	**33,997**	**192,393**
Allocation of profit for the year	–	–	33,997	1,699	32,278	20	(33,997)	–
Dividends distributed	–	–	(10,331)	–	(10,331)	–	–	(10,331)
Purchase of treasury shares	–	–	–	–	–	–	–	–
Stock option exercise	39	648	(59)	–	–	(59)	–	628
Other changes	–	–	328	–	–	328	–	328
Profit for the period	–	–	–	–	–	–	44,378	44,378
Other comprehensive income	–	–	(1,112)	–	–	(1,112)	–	(1,112)
Value as at 31 December 2021	**34,539**	**77,197**	**70,170**	**4,659**	**67,013**	**(1,502)**	**44,378**	**226,284**
Allocation of profit for the year	–	–	44,378	2,219	42,159	–	(44,378)	–
Dividends distributed	–	–	(20,649)	–	(20,649)	–	–	(20,649)
Purchase of treasury shares	–	–	(2,051)	–	–	(2,051)	–	(2,051)
Stock option exercise	245	4,039	(367)	–	–	(367)	–	3,917
Other changes	–	–	348	–	–	348	–	348
Profit for the period	–	–	–	–	–	–	63,355	63,355
Other comprehensive income	–	–	3,352	–	–	3,352	–	3,352
Value as at 31 December 2022	**34,784**	**81,236**	**95,181**	**6,878**	**88,523**	**(220)**	**63,355**	**274,556**

STATEMENT OF CASH FLOWS

(€'000)	Notes	31 December 2022	31 December 2021
Cash flow from operating activities			
Profit for the year		63,355	44,378
Adjustments for:			
Depreciation of property, plant and equipment	*11, 15*	17,102	14,859
Amortisation of intangible assets	*11, 17*	6,701	5,784
Write-downs of tangible assets	*11, 15*	167	–
Adjustments to financial assets (other equity investments)	*13*	(72)	25
Net financial expense	*12*	261	770
Gain on sale of property, plant and equipment	*15*	(363)	61
Impairment losses on trade receivables	*22*	–	–
Income taxes	*14*	25,590	18,513
Changes in:			
Inventories	*20*	21,551	14,369
Contract assets	*21*	(44,428)	(2,497)
Trade receivables	*22*	(6,669)	(1,198)
Other current assets	*23*	(3,523)	(16,330)
Trade payables	*28*	28,384	(17,570)
Contract liabilities	*21*	39,476	53,696
Other current liabilities	*29*	7,732	1,409
Accruals for risks and charges and employee benefits	*30, 31*	3,229	(2,057)
Cash and cash equivalents generated/ (absorbed) by operating activities		**158,493**	**114,212**
Income taxes paid		(17,910)	(21,643)
Net cash and cash equivalents generated/ (absorbed) by operating activities		**140,583**	**92,569**
Cash flow from investing activities			
Interest received	*12*	333	280
Proceeds from the sale of property, plant and equipment	*15*	273	118
Proceeds from disposal of intangible assets	*17*	–	–
Changes in other equity investments and other non-current assets	*19, 35, 36*	(8,949)	(1,217)
Acquisition of subsidiaries, associated or business units	*19*	(9,277)	(75)
Acquisition of property, plant and equipment	*15*	(29,011)	(31,367)
Purchase of intangible assets	*17*	(11,077)	(7,401)
Net cash and cash equivalents generated/ (absorbed) by investing activities		**(57,708)**	**(39,662)**

(€'000)	Notes	31 December 2022	31 December 2021
Cash flow from financing activities			
Financial interests and expense paid	*12*	(594)	(1,050)
Proceeds from the issue of share capital	*26*	4,284	687
Proceeds from loans	*27*	48	45,643
Repayment of loans	*27*	(28,693)	(33,357)
Changes in other financial assets and liabilities including derivatives	*25, 27, 32*	(34,526)	(8,603)
New finance lease payables	*27*	1,048	1,992
Repayment of financial leases	*27*	(38)	(4,019)
Assumption of new loans	*27*	–	–
Other changes in equity	*26*	3,333	(843)
Purchase of treasury shares	*26*	(2,051)	–
Dividends paid	*26*	(20,649)	(10,331)
Net cash flow generated/(absorbed) by financing activities		**(77,838)**	**(9,881)**
Net change in cash and cash equivalents		**5,037**	**43,026**
Cash and cash equivalents at the beginning of the period		134,314	91,288
Cash and cash equivalents at the end of the period		**139,351**	**134,314**

notes to the financial statements

BASIS OF PREPARATION

1. Reporting entity

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

2. Basis of preparation

These financial statements as at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).
The financial statements as at 31 December 2022, approved by the Board of Directors of the Company on 14 March 2023, include the statement of financial position, statement of profit/(loss) for the year and the other comprehensive income, statement of cash flow and statement of changes in equity and the notes.
As regards the statement of financial position, the presentation format adopted provides for a distinction between current and non-current assets and liabilities, according to paragraphs 60 et seq. of IAS 1.
The presentation of the statement of profit and loss adopts a classification of costs based on the type of expense.
The statement of cash flow was prepared based on the indirect method and is presented in compliance with IAS 7, classifying the financial flows between operating, investment and financing activities.
Information on the accounting standards adopted by the Company is provided in the paragraph "Accounting standards" of these financial statements.
The Notes to the Annual Financial Statements were supplemented with the additional information required by Consob and the measures it issued in implementation of Article 9 of Italian Legislative Decree 38/2005 (Resolutions 15519 and 15520) of 27 July 2006 and Communication DEM/6064293 of 28 July 2006, pursuant to Article 78 of the Issuers' Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.
It should be noted that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements highlight significant relations with related parties in order to provide better information, and the income items deriving from non recurrent events or transactions are recognised, when significant, separately in the management comments and in the financial information sections.

Enhanced stakeholders disclosure

During the first half of 2022, the Company began some analyses of its financial reporting in order to achieve more effective communication with its stakeholders.
In view of the positions expressed by the International Accounting Standard Board (IASB) on the subject of "Better Communication in Financial Reporting", the Company introduced a new way of presenting and organising the document itself that aims to favour a more immediate understanding of the Group's performance.
The main items subject to change are summarised below.

Annual statement of financial position

Compared to the annual statement of financial position for previous periods, the item "Intangible assets with a finite useful life" (included under non-current assets) has been renamed "Other intangible assets". This amendment is consistent with the accounting entries contained therein as it includes both intangible assets with definite and indefinite useful life, deriving from the change in the estimate relating to the useful life of the Sanlorenzo brand, which has been reclassified as an intangible asset with indefinite useful life in accordance the provisions of IAS 8 and 38.
It should be noted that the comparative amount as at 31 December 2021, being an estimate change, has not been subject to any adjustment.
For more details, please refer to the note "Other intangible assets".

Statement of profit and loss and other comprehensive income

With regard to trade-in transactions of pre-owned yachts, which were collected following the sale of a new yacht, the accounting policy was changed (as required by IAS 8, paragraph 14(b)), according to a new statement of profit and loss format more representative of the Company's business model.
In particular, the costs of collecting and other costs of managing pre-owned boats in trade-in have been reclassified from Operating costs to Net revenue and income; therefore, the newly introduced item "Selling expenses", deducted from Gross revenues, includes the costs of collecting, managing and selling pre-owned boats in trade-in and commission expense, the latter already previously allocated in the class of Net revenue and income.
This reclassification has no impact on either the operating result or the economic result for the year, nor on the other elements of the financial statements.
The Company believes that this change allows for a better application of the key principle of relevant disclosure set forth in the IASB's Conceptual Framework, providing more effective communication consistent with the business model pursued by the Group.
The following table shows the changes made for each item in the financial statements compared to the values published in the Annual Financial Report as at 31 December 2021, and the comparative data have been reclassified accordingly.

(€'000)	31 December 2021 Approved	Reclassifications	31 December 2021 Reclassified
Revenues	622,036	–	622,036
Selling expenses	(18,225)	(65,116)	(83,341)
Net revenues	**603,811**	**(65,116)**	**538,695**
Other income	4,873	–	4,873
TOTAL NET REVENUE AND INCOME	**608,684**	**(65,116)**	**543,568**
Increases in internal work	1,637	–	1,637
Costs for raw materials, consumables and finished products	(210,491)	41,443	(169,048)
Outsourcing	(191,211)	–	(191,211)
Change in inventories of work in progress, semi-finished and finished products	(16,623)	19,685	3,062
Other service costs	(51,453)	3,988	(47,465)
Personnel expenses	(41,738)	–	(41,738)
Other operating costs	(4,729)	–	(4,729)
Accruals to provisions for risks and charges	(9,747)	–	(9,747)
Total operating costs	**(524,355)**	**65,116**	**(459,239)**
OPERATING RESULT BEFORE AMORTISATION AND DEPRECIATION	**84,329**	**–**	**84,329**
Amortisation, depreciation and impairment losses of fixed assets	(20,643)	–	(20,643)
OPERATING RESULT	**63,686**	**–**	**63,686**
Financial income	280	–	280
Financial expense	(1,050)	–	(1,050)
Net financial income/(expense)	**(770)**	**–**	**(770)**
Income/(expense) from equity investments	–	–	–
Adjustments to financial assets	(25)	–	(25)
PRE-TAX PROFIT	**62,891**	**–**	**62,891**
Income taxes	(18,513)	–	(18,513)
PROFIT/(LOSS) FOR THE PERIOD	**44,378**	**–**	**44,378**

3. Functional and presentation currency

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

4. Basis of measurement

These annual financial statements were prepared by applying the historical cost method, with the exception of derivatives, which are measured at fair value as required by IFRS 9 – Financial Instruments and equity investments measured at equity, as well as on a going concern basis. The Directors have verified that there are no material uncertainties (as defined in IAS 1 paragraph 25) in relation to the going-concern assumption.

5. Use of estimates and valuations

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

Valuations

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

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

A number of the Company's accounting standards and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

In measuring the fair value of an asset or liability, the Company uses observable market data insofar as possible. Fair values are allocated to different hierarchical levels on the basis of the input data used in the valuation techniques, as illustrated below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: input data other than Level 1 quoted prices, which are observable for the asset or liability, either directly (prices) or indirectly (price derivatives);
- Level 3: input data related to the asset or liability that is not based on observable market data is used.

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

Assumptions and estimation uncertainties

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

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

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

6. Accounting standards, amendments and interpretations effective from 1 January 2022

In preparing these financial statements, the same accounting standards and criteria have been applied as in the preparation of the last annual financial statements, to which reference is made for a detailed explanation, with the exception of the following amendments and interpretations to the accounting standards applicable as at 1 January 2022, which, however, did not have a significant impact on the Separate Financial Statements.

Amendment to IFRS 3 – Business Combinations

The IASB issued amendments to IFRS 3 to update it with respect to the amendments relating to the "Conceptual for Financial Reporting" without changing the accounting requirements for business combinations.

Amendments to IAS 37 – Onerous Contracts

In assessing the presence of an onerous contract, one must consider incremental costs and an allocation of costs directly attributable to contractual activities. On the other hand, general and administrative costs that do not directly relate to the contract are excluded unless they are explicitly borne by the other contracting party.

Amendment to IAS 16 – Property, Plant and Equipment

The amendment aims to not allow the amount received from the sale of goods produced in the test phase of the activity to be deducted from the cost of tangible assets. Such sales revenues and the related costs will therefore be recognised in the income statement.

Amendments resulting from Annual improvements to IFRSs 2018 – 2020

Amendments were made to IFRS 1 (First-time Adoption of International Financial Reporting Standards), IFRS 9 (Financial Instruments), IAS 41 (Agriculture) and Illustrative Examples of IFRS 16 (Leases).

7. Operating segments

The Company is composed of the following operating divisions:

- Yacht Division;
- Superyacht Division.

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

- that engage in business activities that generate revenues and costs;
- whose operating results are periodically reviewed at the highest operational decision-making level of the entity for the purpose of making decisions regarding the resources to be allocated to the segment and evaluating the results;
- for which separate accounting information is available.

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

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

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

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

PERFORMANCE FOR THE YEAR

8. Revenues and selling expenses

(€'000)	31 December 2022	31 December 2021	Change
Revenues from contracts with customers	710,616	622,036	88,580
Selling expenses	(50,933)	(83,341)	32,408
Net revenues	**659,683**	**538,695**	**120,988**

Revenues from contracts with customers

Revenues from contracts with customers, which relate to the sale of boats, new and pre-owned, and the provision of services, are shown in the above table gross and net of the related selling expenses related to commissions and the costs of collecting and handling pre-owned boats traded in.
During the period to 31 December 2022 revenues before selling expenses amounted to €710,616 thousand, an increase of €88,580 thousand compared to €622,036 thousand at 31 December 2021.
A breakdown of revenue from contracts with customers by type is as follows:

(€'000)	31 December 2022	31 December 2021	Change
Revenues from the sale of new yachts	672,478	550,593	121,885
Revenues from the sale of pre-owned boats	28,585	65,805	(37,220)
Revenues from maintenance and other services	9,553	5,638	3,915
Revenues from contracts with customers	**710,616**	**622,036**	**88,580**

Revenues from the sale of new boats came to €672,478 thousand as at 31 December 2022, up by €121,885 compared to 31 December 2021.
Revenues from the sale of pre-owned boats as at 31 December 2022 amounted to €28,585 thousand, a decrease of €37,220 thousand compared to €65,805 as at 31 December 2021 due to lower volumes of used boats taken in trade-in in previous periods.
Revenues from maintenance services, parts sales for all types of boats and other services amounted to €9,553 thousand as at 31 December 2022, up by €3,915 thousand compared to €5,638 thousand as at 31 December 2021. These transactions, managed in specific orders received from customers, represent obligations other than the sale of yachts.

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

(in €thousands)	31 December 2022	31 December 2021	Change
Yacht Division	487,988	414,937	73,051
Superyacht Division	222,628	207,099	15,529
Revenues from contracts with customers	**710,616**	**622,036**	**88,580**

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

(€'000)	31 December 2022	31 December 2021	Change
Italy	93,696	62,802	30,894
Europe (other countries)	317,262	289,967	27,295
USA	82,790	84,438	(1,648)
Americas (other countries)	61,703	50,769	10,934
APAC	111,561	91,700	19,861
MEA	43,604	42,360	1,244
Revenues from contracts with customers	**710,616**	**622,036**	**88,580**

Revenues are measured based on the consideration specified in the contract with the customer. In particular, the sale of new boats complies with the requirements for the fulfilment of the performance obligation over the period of time of construction of the boat ("over time"); therefore, the related revenues are recognised based on the progress of the orders and the progress made is measured with the cost-to-cost method.
Revenues relating to the sale of pre-owned boats, based on generally established contractual characteristics, are recognised at a given moment in time ("at a point in time").
Revenues related to maintenance, sales of spare parts and provision of services activities are managed through spot orders from the client and are recognised at a point in time basis.

Selling expenses

(€'000)	31 December 2022	31 December 2021	Change
Commissions	(22,348)	(17,536)	(4,812)
Collection and handling costs for pre-owned boats	(28,585)	(65,805)	37,220
Selling expenses	**(50,933)**	**(83,341)**	**32,408**

Boat selling expenses include commissions and the costs of collecting, handling and selling pre-owned boats taken in trade-in.
In particular, commissions, which refer to the costs incurred by the Company for the brokerage activities performed by dealers and agents, increased in relation to the increase in revenues and the order book.
Costs for the collection and management of pre-owned boats amounted to €28,585 thousand, a decrease of €37,220 thousand compared to €65,805 thousand for the period ended 31 December 2021.
Please refer to the explanatory note "Basis of preparation" for further information on the new accounting policy followed with regard to pre-owned boats trade-in transactions.

9. Other income

(€'000)	31 December 2022	31 December 2021	Change
Gains on disposals of assets	549	7	542
Other revenue	6,248	4,866	1,382
Other income	**6,797**	**4,873**	**1,924**

Other income at 31 December 2022 amounted to €6,797 thousand, an increase of €1,924 thousand compared to €4,873 thousand at 31 December 2021.

10. Operating costs

(€'000)	31 December 2022	31 December 2021	Change
Increases in internal work	(1,795)	(1,637)	(158)
Costs for raw materials, consumables and finished products	201,781	169,048	32,733
Outsourcing	237,858	191,211	46,647
Other service costs	57,162	47,465	9,697
Change in inventories of work in progress, semi-finished and finished products	(1,050)	(3,062)	2,012
Personnel expenses	47,461	41,738	5,723
Other operating costs	5,476	4,729	747
Accruals to provisions and impairment losses	6,483	9,747	(3,264)
Operating costs	**553,376**	**459,239**	**94,137**

Operating costs amounted to €553,376 thousand and €459,239 thousand for 2022 and 2021, respectively. The increase compared to the previous year, amounting to €94,137 thousand, is in line with the growth in revenue.
The work performed by the Company and capitalised refers to the costs of the personnel involved in the development of new boats, which are capitalised under the item development expenditure in relation to intangible assets.
Raw materials, consumables and finished products are presented net of returns, discounts, allowances and bonuses.
Outsourcing chiefly related to naval carpentry services, turnkey furnishings for yachts and superyachts, electrical and plumbing work and the fitting of the boat's interior and exterior.
The increases in the costs of raw materials, consumables and finished products and in the outsourcing costs mainly resulted from the increase in production volumes and, to a lesser extent, from the impact of inflationary phenomena over the past 24 months.
Other service costs mostly comprise costs for consulting services, transport costs, the Board of Directors' and Statutory Auditors' fees, travel expenses and cleaning and maintenance costs.
The change in inventories of work in progress, semi-finished and finished products was €(1,050) thousand and €(3,062) thousand respectively as at 31 December 2022 and 31 December 2021. Work in progress refers to orders of less or more than one year duration for which the contract with the customer was not yet finalised by the end of the period.

The increase in personnel expenses, equal to €5,723 thousand between 31 December 2022 and 31 December 2021, follows the growth trend of personnel linked to the expansion of the Group, as shown in the following table:

	31 December 2022	31 December 2021	Change
Executives	31	30	1
Office workers	523	421	102
Manual workers	82	88	(6)
Total employees	**636**	**539**	**97**

The average by qualification is shown below:

	31 December 2022	31 December 2021	Change
Executives	31	30	1
Office workers	491	401	90
Manual workers	84	90	(6)
Total employees	**606**	**521**	**85**

A breakdown of personnel expenses is as follows:

(€'000)	31 December 2022	31 December 2021	Change
Salaries and wages	35,145	30,675	4,470
Social security contributions	10,327	9,268	1,059
Post-employment benefits	1,989	1,795	194
Total personnel expense	**47,461**	**41,738**	**5,723**

Other operating costs related to advertising for €2,531 thousand and €2,023 thousand as at 31 December 2022 and 2021, respectively, and other sundry costs stood at €2,945 thousand and €2,706 thousand as at 31 December 2022 and 2021.
As at 31 December 2022 accruals to provisions and impairment losses included €6,108 thousand related to job order completion activities and €375 thousand related to accruals to provisions for risks and guarantees on vessels.

11. Amortisation, depreciation and impairment losses of fixed assets

(€'000)	31 December 2022	31 December 2021	Change
Amortisation of intangible assets	6,701	5,784	917
Depreciation of tangible assets	17,102	14,859	2,243
Impairment on tangible assets	167	–	167
Amortisation, depreciation and impairment losses	**23,970**	**20,643**	**3,327**

Amortisation, depreciation and impairment losses amounted to €23,970 thousand and €20,643 thousand respectively as at 31 December 2022 and 2021. The increase in depreciation and amortisation, equal to €3,160 thousand, is related to the investments made during the period.
As at 31 December 2022, amortisation of intangible assets was equal to €6,701 thousand and mainly consisted of amortisation of development expenses for €5,140 thousand, amortisation of state concession of the La Spezia shipyard for €361 thousand, amortisation of the rights to use the Viareggio warehouses for €442 thousand and amortisation of software applications for €322 thousand.
As at 31 December 2022 depreciation stood at €17,102 thousand and mainly consisted of depreciation of industrial and commercial equipment (€7,034 thousand), land and buildings (€5,414 thousand) and plant and equipment (€1,960 thousand).
In accordance with IAS 8 and IAS 38, the Sanlorenzo brand is no longer subject to amortisation as it is qualified, following a change of estimate in relation to the useful life, from intangible assets with a finite useful life to intangible assets with indefinite useful life. It should be noted that the total value of the depreciation of the two marks would still have been insignificant, or equal to €273 thousand.
For further details, please refer to the "Basis of Preparation" section of this Financial Report.

12. Net financial expense

(€'000)	31 December 2022	31 December 2021	Change
Financial income	333	280	53
Financial expense	(594)	(1,050)	456
Net financial expense	**(261)**	**(770)**	**509**

The reduction in net financial expense recorded between 31 December 2022 and the previous year is linked to the better financial conditions applied to the Company by credit institutions, also following the positive renegotiation and refinancing of some credit lines in previous years and income from liquidity management. A breakdown of each item making up this caption is provided below:

(€'000)	31 December 2022	31 December 2021	Change
Interest income - third parties and credit institutions	59	172	(113)
Interest income on loans to subsidiaries	114	108	6
Interest income on loans to associated companies	48	–	48
Income from financial investments	112	–	112
Financial income	**333**	**280**	**53**

(€'000)	31 December 2022	31 December 2021	Change
Interest expense - banks	(636)	(819)	183
Interest expense - third parties	(4)	(78)	74
Interest expense on lease liabilities	(71)	(12)	(59)
Other financial expense	(126)	(146)	20
Foreign exchange rate gains/(losses)	243	5	238
Financial expense	**(594)**	**(1,050)**	**456**

13. Net income from equity investments and adjustments to financial assets

(€'000)	31 December 2022	31 December 2021	Change
Income/(expense) from equity investments	(10)	-	(10)
Adjustments to financial assets	82	(25)	107
Net income from equity investments and adjustments to financial assets	**72**	**(25)**	**97**

Expenses from equity investments, amounting to €10 thousand, include the valuation at equity of the associated companies (Carpensalda Yacht Division S.r.l. and Duerre S.r.l.).

For more details and information on investments in associated companies, please refer to the note "Associated companies" in these financial statements.
Adjustments to financial assets of €82 thousand refer to the recognition of the fair value of financial instruments held by Sanlorenzo as part of the Company's strategy for investing and managing its cash.
For more details and information on the composition of the portfolio, please refer to the note "Cash management" in these financial statements.

14. Income taxes

(€'000)	31 December 2022	31 December 2021	Change
Current taxes	(25,084)	(16,346)	(8,738)
Taxes relative to prior years	(878)	(1,095)	217
Deferred tax assets and liabilities	372	(1,072)	1,444
Income taxes	**(25,590)**	**(18,513)**	**(7,077)**

In 2022, income taxes stood at €(25,590) thousand, up by €(7,077) thousand over the previous year. This item consists of current taxes, equal to €(25,084) thousand, taxes for prior years, equal to €(878) thousand, including the provision made to take into account any tax liabilities abroad, and the change in deferred tax assets and liabilities, equal to €372 thousand.

A reconciliation between the effective and theoretical tax expense is as follows. In 2022, income taxes represent 28.8% of the pre-tax profit.

(€'000)	31 December 2022	31 December 2021
Pre-tax profit	**88,945**	**62,891**
Tax rate	24%	24%
Theoretical IRES	21,347	15,094
Non-deductible costs and charges	796	(459)
Non-taxable positive components	(500)	(80)
Effect changes temporary and other differences	266	1,450
IRAP	3,681	2,508
Income taxes	**25,590**	**18,513**

Current tax assets and liabilities

(€'000)	31 December 2022	31 December 2021	Change
Current tax assets	16,559	15,169	1,390
Current tax liabilities	(25,061)	(16,292)	(8,769)
Net assets/(liabilities) for current taxes	**(8,502)**	**(1,123)**	**(7,379)**

Current tax assets, in the amount of €16,559 thousand, refer to IRES and IRAP advances paid in 2022, while current tax liabilities amount to €25,061 thousand and consist of the IRES and IRAP payable accrued as at 31 December 2022.

Net deferred tax assets

(€'000)	31 December 2022	31 December 2021	Change
Net deferred tax assets	4,859	5,555	(696)

Net deferred tax assets include the difference between deferred tax assets and liabilities that arose over the years. Net deferred tax assets were equal to €4,859 thousand as at 31 December 2022 and €5,555 thousand as at 31 December 2021.
Deferred tax assets are recognised when the management believes that they will be recovered through future taxable earnings on the basis of company plans. Deferred tax liabilities relate to income taxes for the current year and previous years to be paid in subsequent years in line with applicable tax regulations.

The tables below show the changes, the nature and the amount of the temporary differences relating both to the amounts credited to the income statement and to other comprehensive income (OCI) for the year ended 31 December 2022.

(€'000)	Tax effect as at 1 January 2022	Use 2022	Accruals 2022	Tax effect as at 31 December 2022
Deferred tax assets				
Loss allowance	90	(1)	–	89
Provisions for risks and charges	4,926	(1,318)	1,824	5,432
Impairment of tangible assets	–		47	47
Deferral margin Sanlorenzo of the Americas	45	(45)	–	–
Unpaid membership fees	–		5	5
Amortisation Goodwill	1	(1)	–	–
Impairment of pre-owned yachts	179	(179)	–	–
Effect of IAS 38	4	(2)	–	2
Share capital increase cost against Reserve	235	(118)	–	117
Deferral R&D	147	(47)	–	100
Legal fees	242	–	–	242
Debt accounting at amortised cost	94	(24)	–	70
Obsolete inventories	98		28	126
Other	–	–	5	5
Total deferred tax assets with impact on income statement	**6,060**	**(1,735)**	**1,909**	**6,234**
Effect of IAS 19	–	–	–	–
Cash flow hedge reserve	348	(348)	–	–
Total deferred tax assets from other comprehensive income (OCI)	**348**	**(348)**	**–**	**–**
Total deferred tax assets	**6,408**	**(2,083)**	**1,909**	**6,234**

(€'000)	Tax effect 1 January 2022	Use 2022	Accruals 2022	Tax effect as at 31 December 2022
Deferred taxes				
Amortisation of development costs over useful life	853	(370)	172	655
Total deferred tax assets with impact on income statement	**853**	**(370)**	**172**	**655**
Cash flow hedge reserve	–	–	686	686
Effect of IAS 19	–	–	34	34
Total deferred tax assets from other comprehensive income (OCI)	**–**	**–**	**720**	**720**
Total deferred tax liabilities	**853**	**(370)**	**892**	**1,375**
Net deferred tax assets	**5,555**	**(1,713)**	**1,017**	**4,859**

ASSETS

15. Property, plant and equipment

Property, plant and equipment amounted to €138,701 thousand and €124,171 thousand as at 31 December 2022 and 31 December 2021, respectively.
A breakdown of the item and its changes over the year are provided in the table below.

(€'000)	Land and buildings	Industrial equipment	Plant and equipment	Other assets	Fixed assets in progress	Total
Historical cost	90,243	65,042	15,374	12,919	2,024	185,602
Amortisation, depreciation and impairment losses accumulated	(28,229)	(37,655)	(5,553)	(7,540)	–	(78,977)
Net carrying amount as at 1 January 2021	**62,014**	**27,387**	**9,821**	**5,379**	**2,024**	**106,625**
Changes 2021						
Increases	17,040	5,359	3,697	3,582	1,689	31,367
Decreases	–	(1,433)	–	(74)	–	(1,507)
Reclassifications	594	–	–	1	(595)	–
Depreciation	(4,340)	(6,879)	(1,575)	(2,065)	–	(14,859)
Utilisation of accrued depreciation	–	1,431	–	74	–	1,505
Provision reclassifications	–	14	–	1,026	–	1,040
Historical cost	**107,877**	**68,968**	**19,071**	**16,428**	**3,118**	**215,462**
Amortisation, depreciation and impairment losses accumulated	(32,569)	(43,089)	(7,128)	(8,505)	–	(91,291)
Carrying amount as at 31 December 2021	**75,308**	**25,879**	**11,943**	**7,923**	**3,118**	**124,171**

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(€'000)	Land and buildings	Industrial equipment	Plant and equipment	Other assets	Fixed assets in progress	Total
Changes 2022						
Increases	14,685	7,438	3,165	3,825	(102)	29,011
Decreases	–	(121)	(93)	(220)	(368)	(802)
Changes from extraordinary transactions	2,747	4	–	17	–	2,768
Reclassifications	756	837	101	–	(1,649)	45
Depreciation	(5,414)	(7,034)	(1,960)	(2,694)	–	(17,102)
Utilisation of accrued depreciation	–	29	25	175	–	229
Provision reclassifications	(114)	67	(3)	431	–	381
Historical cost	**126,065**	**77,126**	**22,244**	**20,050**	**999**	**246,484**
Amortisation, depreciation and impairment losses accumulated	(38,097)	(50,027)	(9,066)	(10,593)	–	(107,783)
Net carrying amount as at 31 December 2022	**87.968**	**27.099**	**13.178**	**9.457**	**999**	**138.701**

As at 31 December 2022, property, plant and equipment included:

- Land and buildings equal to €87,968 thousand: these mostly refer to the Company's buildings located at the production facilities in Ameglia (SP), Viareggio (LU), Massa (MS) and La Spezia (SP).
- Industrial equipment for €27,099 thousand: these mostly refer to technical equipment, for scaffolding, handling and fibreglass moulding extraction and the realisation of moulds.
- Plants and machinery equal to €13,178 thousand: for the most part they relate to fire-fighting, electrical, hydraulic and suction systems.
- Other assets equal to €9,457 thousand: mainly include office furniture and fittings, trade fair equipment and electronic equipment.
- Assets in progress equal to €999 thousand: mainly consist of costs incurred for the realisation of new models and moulds.

In 2022, tangible assets increased by €29,011 thousand and mostly refer to industrial equipment for €7,438 thousand, buildings for €14,685 thousand, other assets for €3,825 thousand and plants for €3,165 thousand.

In 2022, decreases amounted to €802 thousand, net of the related accumulated depreciation equal to €229 thousand and mainly concerned the sale of industrial equipment, plant and machinery, vehicles and light constructions.
The change from extraordinary transactions, amounting to €2,768 thousand, mainly includes changes in fixed assets arising from the merger of PN VSY S.r.l.
Depreciation in 2022 was equal to €17,102 thousand, €2,243 thousand higher than in 2021 as a result of the investments made during the year.

16. Goodwill

Goodwill is recognised in the financial statements at the date of acquisition of the control of a business pursuant to IFRS 3 and is the aggregate of the consideration transferred to acquire a business or a business unit and the algebraic sum of the fair values, assigned at the acquisition date, to the identifiable assets and liabilities acquired that composed such business or business unit.
As it has an indefinite useful life, goodwill is not amortised but is tested for impairment at least once a year unless some indications of impairment based on external and internal sources of information identified by the Company makes it necessary to test it for impairment also during preparation of the interim reports (in this regard, see note 18 Impairment test).
For impairment testing purposes, goodwill acquired as part of a business combination is allocated to the individual Cash-Generating Units (or groups of CGUs) that are expected will benefit from the combination synergies, in line with the minimum level for which that goodwill is monitored by the Company.
After its initial recognition, goodwill is valued at cost net of accumulated impairment.

(€'000)	31 December 2022	31 December 2021	Change
Goodwill	8,667	8,667	–

Goodwill amounted to €8,667 thousand as at 31 December 2022 and 31 December 2021 and relates to the deficit deriving from the 2008 merger by incorporation of the former parent company Happy Life S.r.l together with its subsidiary FlyOpen S.p.A. into Sanlorenzo S.p.A.
The balance of €8,667 thousand is net of depreciation and amortisation recognised up until the date of First Time Adoption of IFRS. The Company applied the exemption, provided by IFRS 1.C1 for business combinations, which allows the first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.

17. Other intangible assets

As illustrated in the note "Basis of preparation", during 2022, and in particular starting from the half-year financial report, the item "Intangible assets with definite useful life" was renamed in "Other intangible assets".
This item includes both intangible assets with a finite and indefinite useful life. Compared to previous periods, a change was made in the estimate of the useful life of the Sanlorenzo brand, in compliance with IAS 8 and IAS 38, changing their classification from "Intangible assets with a finite useful life" to "Intangible assets with indefinite useful life". The effect of the change in estimate is recognised prospectively. Therefore, the brand is no longer amortised but subjected to an impairment test (in this regard, please refer to as reported in note 18 Impairment Test).
The change in the accounting estimate of the Sanlorenzo brand became necessary because the time horizon previously adopted for amortisation is no longer representative of its useful life, mainly for the following reasons:

- greater global expansion of the Company and thus of the brand, which is an expression not only of an excellent, exclusive product, but also of the top positioning of the company recognised as leading international player of reference in the luxury nautical segment;
- a considerable increase in revenue flow and order backlog, profitability levels and cash generation – factors that allow management to have better visibility of the future, supported by the considerable investment and development programmes in new production lines with a view to long-term environmental sustainability.

Other intangible assets stood at €46,103 thousand as at 31 December 2022 and €39,626 thousand as at 31 December 2021.

A breakdown of the item at each date presented and changes therein is provided below.

(€'000)	Concessions, licences, trademarks and similar rights	Other fixed assets	Development costs	Fixed assets in progress	Total
Historical cost	25,106	1,675	34,412	1,393	62,586
Amortisation, depreciation and impairment losses accumulated	(5,820)	(1,668)	(17,089)	–	(24,577)
Net carrying amount as at 1 January 2021	**19,286**	**7**	**17,323**	**1,393**	**38,009**
Changes 2021					
Increases	279	–	4,940	2,182	7,401
Decreases	–	–	–	–	–
Reclassifications	–	1	1,042	(1,043)	–
Amortisation	(1,631)	(1)	(4,152)	–	(5,784)
Utilisation of accrued amortisation	–	–	–	–	–
Provision reclassifications	–	–	–	–	–
Historical cost	**25,385**	**1,676**	**40,394**	**2,532**	**69,987**
Accrued amortisation and impairment losses	(7,451)	(1,669)	(21,241)	–	(30,361)
Net carrying amount as at 31 December 2021	**17,934**	**7**	**19,153**	**2,532**	**39,626**
Changes 2022					
Increases	563	–	7,926	2,588	11,077
Decreases	–	–	(163)	(11)	(174)
Changes in extraordinary transactions	2,284	–	–	–	2,284
Reclassifications	–	–	1,956	(1,939)	17
Amortisation	(1,560)	(1)	(5,140)	–	(6,701)
Utilisation of accrued amortisation	–	–	31	–	31
Provision reclassifications	(57)	–	–	–	(57)
Historical cost	**28,232**	**1,676**	**50,113**	**3,170**	**83,191**
Accrued amortisation and impairment losses	(9,068)	(1,670)	(26,350)	–	(37,088)
Net carrying amount as at 31 December 2022	**19,164**	**6**	**23,763**	**3,170**	**46,103**

As at 31 December 2022, other intangible assets were composed as follows:

- Concessions, licences, trademarks and similar rights of €19,164 thousand: in detail, this item is composed of the concession acquired together with the business unit of the former Cantieri San Marco for €2,889 thousand, trademark of the Company for €3,754 thousand, mooring rights acquired by the Company until 2067 in La Spezia in "Porto Mirabello" amounting to €1,684 thousand, the right of use for the properties in Viareggio for €7,634 thousand acquired with the demerger of Polo Nautico during the year, the software application for €726 thousand and sundry rights for €2,477 thousand.
- Other fixed assets equal to €6 thousand.
- Development costs in the amount of €23,763 thousand: these are represented by the costs for the development and design of new vessels incurred by the Company and it should be noted that no indicators have been identified that would lead to the presumption that capitalised development costs have been impaired.
- Assets in progress equal to €3,170 thousand, mostly consisting of development costs for the design and study of new boat models.

In 2022, increases were equal to €11,077 thousand and related to assets in progress for €2,588 thousand, development costs for €7,926 thousand and trademarks, patents, rights on use of buildings and mooring rights for €563 thousand.
Amortisation in 2022 was equal to €6,701 thousand, €917 thousand higher than in 2021 as a result of the investments made during the year.

Recoverability of development costs

As at 31 December 2022 and 2021, other intangible assets include projects to develop new boats and innovative fibreglass, steel and aluminium solutions for medium to large boats in the amount of €23,763 thousand and €19,153 thousand, respectively.
Its design costs, over 8 years, were amortised based on a 12.5% rate.
Projects normally take between one to three years to develop (roughly 18 months for fibreglass boats) and the group usually recognises the related costs over this period. The design stage ends with the building of the prototype and the model is definitive for sale on the market (new boat design). However, the Group may incur design costs after this if it decides to improve the boat, restyle it or if the customer requests customisation (Boat Design in Production). Designs obviously have to reflect market trends and consider competitors' strategies. Due to difficulties in identifying the right moment for a new product to go to market, the Group defines its specific strategy in this respect each year.
Based on business forecasts, company management deems that the development costs recognised as at 31 December 2022 are recoverable.

18. Impairment test

With regard to goodwill and intangible assets with indefinite useful life, the impairment test was carried out in compliance with the provisions of the accounting standard IAS 36, which provides for two different configurations of recoverable value, represented by the value in use and the fair value less costs of disposal. Paragraph 18 of IAS 36 defines the "recoverable amount" as "the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use". In this case, as it was not possible to measure the fair value of the assets being tested for impairment, the estimate of their recoverable amount as at 31 December 2022 was made based on the values based on the concept of value in use.
The value in use was calculated with reference to the estimated operating cash flows foreseen for the three-year period 2023-2025, derived from the economic-financial data of the 2022 Preliminary Financial Statements, which constituted the starting basis for the projections for the three-year period of reference, prepared by Management solely for the purpose of calculating the impairment test by resolution of the Board of Directors on 9 February 2023.
The value in use thus obtained was compared with the carrying amount of net operating capital employed, including goodwill and other intangible assets with indefinite useful life, revealing a surplus (i.e., positive difference - so-called headroom - between the recoverable amount and the carrying amount) of about 403% with respect to the carrying amount.
The WACC was used as the discount rate and was estimated as follows:

- the risk-free rate was taken to be equal to the average rate of return on 10-year government bonds, i.e. 3.2%;
- an equity risk premium of 8.0% was used;
- a beta-levered coefficient was measured considering a basket of listed companies active in the same sector as the group and was equal to 1.07.

The cost of debt was estimated to be equal to 3.19%.
A debt to equity ratio of 29.89% was also used, equal to the average debt to equity ratio of a basket of comparables.
Application of this model led to the calculation of a discount rate of 9.23%.
The terminal value was calculated using the "perpetuity" formula, assuming a growth rate "g" of 2.0% and a normalised operating cash flow using the projections for 2025, the last year of the plan taken as reference for impairment test purposes.
The model's sensitivity to changes in these parameters was also tested, to test its robustness and accuracy.
In particular, the model was tested under the assumption of a change in the discount and growth rates of up to 1% and of a 10% decrease in the cash flows estimated based on forecasts. This sensitivity analysis did not suggest the presence of asset impairment.
From the analysis of the base scenario and the sensitivity analyses estimated on the basis of changes in the main parameters of the impairment test, it therefore appears that the value of goodwill and other intangible assets with indefinite useful life recorded in the Company's financial statements is recoverable.
The following table shows the WACC, growth rate "g" and percentage of operating cash flow that individually would make the CGU's recoverable amount equal to its carrying amount as at 31 December 2022.

	Base scenario	WACC	Growth rate	Operating cash flows
WACC	9.23%	56.72%	9.23%	9.23%
Growth rate (g)	2.00%	2.00%	-165.27%	2.00%
Operating cash flows	100.00%	100.00%	100.00%	13.69%

With regard to tangible and intangible assets with a finite useful life, the Company, on the basis of the provisions of accounting standard IAS 36, verified the presence of indicators that could have led to an impairment of these assets. These analyses did not reveal the need to make any adjustments to the carrying value of tangible and intangible assets with a finite useful life.

19. Equity investments and other non-current assets

(€'000)	31 December 2022	31 December 2021	Change
Investments in subsidiaries	5,684	3,234	2,450
Investments in associates	7,230	332	6,898
Equity investments in other companies	34	34	–
Financing to associates	4,150	–	4,150
Equity investments and other non-current assets	**17,098**	**3,600**	**13,498**

Changes in equity and other non-current assets over the year are shown below:

(€'000)	Subsidiaries	Associated companies	Other companies	Financing to associated companies	Total
Value as at 1 January 2021	**3,184**	**332**	**34**	**–**	**3,550**
Investments in the year	50	–	–	–	50
Value as at 31 December 2021	**3,234**	**332**	**34**	**–**	**3,600**
Investments in the year	2,128	7,240	–	4,150	13,518
Measured with the equity method	–	(10)	–	–	(10)
Decreases for aggregations	(10)	–	–	–	(10)
Change in the scope of consolidation	332	(332)	–	–	–
Value as at 31 December 2022	**5,684**	**7,230**	**34**	**4,150**	**17,098**

Investments in subsidiaries amounted to €5,684 thousand and €3,234 thousand respectively as at 31 December 2022 and 31 December 2021. The increase is related to the incorporation of the new subsidiary Sanlorenzo Arbatax S.r.l., the acquisition of a majority stake in the company Polo Nautico Viareggio S.r.l., and the acquisition of 100% of the company Equinoxe S.r.l., as detailed in the table below, based on the data resulting from the financial statements as at 31 December 2022.

Company name	Share capital	%	Nominal value (Euro)	Book value (Euro)	Share of equity (Euro)	Equity (Euro)	Profit/(loss) for the year (Euro)
Bluegame S.r.l. Ameglia (SP) – Italy	Euro 100,000	100%	100,000	1,035,500	11,437,291	11,437,291	4,641,606
PN Sviluppo S.r.l. Viareggio (LU) – Italy	Euro 40,000	100%	40,000	40,000	18,432	18,432	(19,626)
Polo Nautico Viareggio S.r.l. Viareggio (LU) – Italy	Euro 667,400	52.49%	350,318	349,803	425,573	810,770	14,591
Sanlorenzo Arbatax S.r.l. Ameglia (SP) – Italy	Euro 10,000	100%	10,000	10,000	(20,546)	(20,546)	(30,546)
Equinoxe S.r.l. Turin (TO) – Italy	Euro 184,536	100%	184,536	2,100,000	238,502	238,502	–
Sanlorenzo of the Americas LLC Fort Lauderdale (FL) – USA	USD 2,000,000	90%	1,687,606	1,433,366	6,387,854	7,097,615	6,261,150
Sanlorenzo Baleari SL Puerto Portals, Mallorca – Spain	Euro 500,000	100%	500,000	500,000	(3,255,800)	(3,255,800)	504,248
Marine Yachting Monaco S.A.M. Monte-Carlo – Principality of Monaco	Euro 150,000	99.7%	150,000	215,000	171,127	171,127	(45,748)

With regard to the equity investment in the subsidiary Sanlorenzo Baleari SL, the value of the equity investment, also adjusted by the loss allowance equal to €2,387 thousand, is higher than the fraction of shareholders' equity pertaining to it. The company, in view of the reorganisation activities carried out, despite the pandemic period, further consolidated the positive economic trend by closing the financial year with a profit that was significantly higher than the previous year and in line with the results expected for the period ending 31 December 2022.
It should also be noted that the positive market prospects reflected in the approved business plan, together with the above considerations, suggest that this value is fully recoverable, as also evidenced by the results of the impairment test performed.

Investments in associates, measured using the equity method, amounted to €7,230 thousand and €332 thousand respectively as at 31 December 2022 and 2021. The item refers to the investments held in the associated companies Carpensalda Yacht Division and Duerre.
Investments in other companies amounted to €34 thousand as at 31 December 2022 and 2021, respectively, and are represented by investments that are fairly negligible in companies and consortia, not falling under the consolidation scope.

20. Inventories

(€'000)	31 December 2022	31 December 2021	Change
Raw materials and consumables	10,051	8,367	1,684
Work in progress and semi-finished products	32,963	31,378	1,585
Finished products	197	25,558	(25,361)
Allowance for inventory write-down	(450)	(991)	541
Inventories	**42,761**	**64,312**	**(21,551)**

Inventories amounted to €42,761 thousand and €64,312 thousand as at 31 December 2022 and 31 December 2021, respectively.
Inventories of raw materials and consumables include the materials necessary to build the boats.
Work in progress and semi-finished products relate to the boat construction contracts that have not been finalised with the customer before year end. The change observed between 31 December 2022 and 31 December 2021 follows the increase in sales achieved during the year.
Finished products comprise traded-in boats, which are recognised at cost when the group receives them and the value of which is adjusted at the end of each year to the presumed realisable value through the recognition of the relative allowance for write-downs.
During the valuation process of pre-owned boats, the Company relies on various elements such as the analysis of the specific characteristics of the pre-owned boats, the valuations carried out at the time of their purchase including age, current market trend, also through the indications of an independent third party, the uniqueness of each boat and of each trade negotiation, as well as the sales already concluded in the subsequent period.
The project "Experienced Yachts", designed to diversify and qualify the pre-owned boats of the Company compared with the competition, provides for each boat that is part of the programme to be valued, managed and reconditioned by the Company's personnel in order to guarantee the efficacy of the boats' machinery and instruments. The valuation of pre-owned boats is based on an independent expert appraisal which considers the factors mentioned above and each boat's general conditions.

The allowance for inventory write-down, including finished products and raw materials, recorded an increase of €100 thousand, related to the adjustment of the value of raw materials to the estimated realisable value, and a decrease of €641 thousand relative to the coverage of costs referring to work on used boats sold in the period.

(€'000)	Balance
Allowance for inventory write-down as at 31 December 2021	**991**
Allocations	100
Utilisations	(641)
Allowance for inventory write-down as at 31 December 2022	**450**

21. Contract assets and liabilities

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

(€'000)	31 December 2022	31 December 2021	Change
Contract assets (gross)	577,925	459,911	118,014
Advances received from customers	(421,747)	(348,161)	(73,586)
Contract assets (net)	**156,178**	**111,750**	**44,428**

Unsatisfied or partially unsatisfied performance obligations refer to all the boats (both with original expected duration within 1 year and more) and are expected to be recognised in accordance with production timing related to yacht (between 7 and 16 months on average) and superyacht (between 24 and 46 months on average).
The net balance of assets arising from contracts as at 31 December 2022 includes a positive amount of €2,298 thousand relating to the fair value measurement of currency hedges on contracts denominated in US dollars; as at 31 December 2021, this amount was €953 thousand.

Net contract liabilities are as follows:

(€'000)	31 December 2022	31 December 2021	Change
Payables for work to be carried out	8,506	10,396	(1,890)
Total advances received from customers	555,884	440,931	114,953
Advances deducted from contract assets	(421,747)	(348,160)	(73,587)
Contract liabilities (net)	**142,643**	**103,167**	**39,476**

The item had a net balance of €142,643 thousand and €103,167 thousand as at 31 December 2022 and 31 December 2021, respectively. The change of €39,476 thousand recorded in the period is mostly related to the increase in advances received from customers.

22. Trade receivables

(€'000)	31 December 2022	31 December 2021	Change
Receivables from customers	19,948	17,871	2,077
Trade receivables from subsidiaries and associates	5,456	744	4,712
Loss allowance	(671)	(551)	(120)
Trade receivables	**24,733**	**18,064**	**6,669**

Trade receivables amounted to €24,733 thousand and €18,064 thousand as at 31 December 2022 and 31 December 2021, respectively. As at 31 December 2022, trade receivables increased compared with 31 December 2021, by €6,669 thousand.
Trade receivables are presented net of the loss allowance allocated over the years to provide for credit-impaired receivables that are still recognised pending the completion of the related court-approved creditors' settlement procedure or out-of-court recovery proceedings. It is believed that the loss allowance is appropriate to cope with the risk of potential non-collection of past due receivables.

Changes in the loss allowance in 2022 are as follows:

(€'000)	Balance
Loss allowance as at 31 December 2021	**551**
Uses/releases	(5)
Allocations	125
Loss allowance as at 31 December 2022	**671**

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

(€'000)	31 December 2022	31 December 2021	Change
Italy	2,928	8,741	(5,813)
Europe (other countries)	10,495	8,790	1,705
Americas	5,590	151	5,439
APAC	446	379	67
MEA	5,274	3	5,271
Receivables from customers	**24,733**	**18,064**	**6,669**

A breakdown of receivables from customers by due date is as follows:

31 December 2022 (€'000)	Not expired	Overdue for (dd)		
		0-365	366-730	>730
Receivables from customers	22,967	177	281	288
Loss allowance	–	(103)	(281)	(288)
Receivables for customers to be invoiced	1,692	–	–	–
Receivables from customers	**24,659**	**74**	**–**	**–**

23. Other current assets

(€'000)	31 December 2022	31 December 2021	Change
Advances to suppliers	24,969	18,944	6,025
Other receivables	2,715	4,028	(1,313)
Other tax assets	7,044	8,435	(1,391)
Costs to obtain the contracts	6,941	8,041	(1,100)
Accrued income and prepaid expenses	6,717	5,415	1,302
Other receivables and other current assets	**48,386**	**44,863**	**3,523**

Other current assets amounted to €48,386 thousand and €44,863 thousand as at 31 December 2022 and 31 December 2021, respectively. All receivables in this category are considered collectible and therefore no impairment has been made on them.

During the year ended 31 December 2022, the item increased by €3,523 thousand mainly due to the increase advances paid to suppliers.
Costs to obtain contracts related to agency commissions were down by €1,100 thousand. Agency fees were recognised in the income statement based on a time approach that follows the work in progress on a boat.

24. Cash and cash equivalents

(€'000)	31 December 2022	31 December 2021	Change
Bank and postal current accounts	139,296	134,272	5,024
Cash on hand	55	42	13
Cash	**139,351**	**134,314**	**5,037**

Cash and cash equivalents amounted to €139,351 thousand and €134,314 thousand as at 31 December 2022 and 31 December 2021, respectively. For further information on the change in cash and cash equivalents, reference should be made to the cash flow statement.

25. Other financial assets, including derivatives

(€'000)	31 December 2022	31 December 2021	Change
Financial receivables from subsidiaries	11,423	15,358	(3,935)
Derivatives	4,130	311	3,819
Other financial instruments	50,993	–	50,993
Other financial assets	**66,546**	**15,669**	**50,877**

Financial receivables from subsidiaries, equal to €11,423 thousand as at 31 December 2022, relate to loans granted to Group companies.
Derivatives amounted to €4,130 thousand and €311 thousand as at 31 December 2022 and 31 December 2021 respectively. They include currency hedges (EUR/USD) and interest rate hedges with a positive fair value (Mark to Market Value) at the reporting dates. The Company uses derivatives to hedge against the risk of fluctuations in US dollars for its sales in that currency and the risks that interest rates on its loans and borrowings may increase.
The item Other financial instruments includes a time deposit, bonds, listed certificates and a guaranteed capital life insurance contract, used by the Company to deploy excess liquidity.
For further details regarding financial risk hedging instruments, please refer to the note "Financial instruments - Fair value and risk management" in these financial statements.

EQUITY AND LIABILITIES

26. Share capital and reserves

Company's equity

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

(€'000)	Share capital	Share premium	Other reserves	Profit for the period	Total equity
Value as at 31 December 2021	**34,539**	**77,197**	**70,170**	**44,378**	**226,284**
Allocation of profit for the year	–	–	44,378	(44,378)	–
Dividends distributed	–	–	(20,649)	–	(20,649)
Purchase of treasury shares	–	–	(2,051)	–	(2,051)
Stock option exercise	245	4,039	(367)	–	3,917
Other changes	–	–	348	–	348
Other comprehensive income	–	–	3,352	–	3,352
Profit for the period	–	–	–	63,355	63,355
Value as at 31 December 2022	**34,784**	**81,236**	**95,181**	**63,355**	**274,556**

The following table shows details of Other reserves.

(€'000)	Legal reserve	Extraordinary reserve	Stock option reserve	Treasury shares reserve	Cash flow hedge reserve	Reserve FTA/OCI	Other reserves	Total other reserves
Value as at 31 December 2021	**4,659**	**67,013**	**607**	**(899)**	**(1,102)**	**(255)**	**147**	**70,170**
Allocation of profit for the year	2,219	42,159	–	–	–	–	–	44,378
Dividends distributed	–	(20,649)	–	–	–	–	–	(20,649)
Purchase of treasury shares	–	–	–	(2,051)	–	–	–	(2,051)
Stock option exercise	–	–	(367)	–	–	–	–	(367)
Other changes	–	–	332	–	–	(4)	20	348
Other comprehensive income	–	–	–	–	3,276	76	–	3,352
Value as at 31 December 2022	**6,878**	**88,523**	**572**	**(2,950)**	**2,174**	**(183)**	**167**	**95,181**

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Share capital and share premium

Ordinary shares

As at 31 December 2022, the Parent Company's share capital amounted to €34,784 thousand, fully paid up, and consisted of 34,784,089 ordinary shares without nominal value, increased compared to 31 December 2021 due to the subscription of the capital increase to service the 2020 Stock Option Plan for 244,821 shares subscribed in 2022. The share capital was also subsequently increased in 2023 and, as at 28 February 2023, consists of 34,810,125 shares.

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

On 24 September 2020, the Company launched the treasury share buy-back program based on the authorisation resolution approved by the Ordinary Shareholders' Meeting of 31 August 2020, a plan which ended on 28 February 2022. Subsequently, on 2 September 2022, the Company initiated a new share buy-back program based on the authorisation resolution issued by the Ordinary Shareholders' Meeting on 28 April 2022. As at 31 December 2022, the Company held 123,202 treasury shares, equal to 0.354% of the subscribed and paid-up share capital.

Share premium

The share premium amounted to €81,236 thousand resulting from the capital increase carried out by the shareholders in the periods 2011 and 2013, its partial use in the year 2014 for a bonus issue, by the Company, the decrease of €19,539 thousand due to the impact of the reverse merger with WindCo and the capital increase linked to the IPO transaction completed in 2019, equal to €65,160 thousand net of placement commissions, the increase in 2022 of €4,039 thousand for the exercise of the options relating to the Stock Option Plan.

Other reserves

(€'000)	31 December 2022	31 December 2021	Change
Legal reserve	6,878	4,659	2,219
Extraordinary reserve	88,523	67,013	21,510
Stock option reserve	572	607	(35)
Treasury shares reserve	(2,950)	(899)	(2,051)
Cash flow hedge reserve	2,174	(1,102)	3,276
FTA/OCI reserve	(183)	(255)	72
Demerger surplus	11	11	–
Post-merger reserve	49	49	–
Merger surplus	107	87	20
Other reserves	**95,181**	**70,170**	**25,011**

The item comprises:

- Legal reserve, which includes the allocation, equal to €6,878 thousand, made by the Company according to the provisions of the Italian Civil Code.
- Extraordinary reserve of €88,523 thousand and €67,013 thousand as at 31 December 2022 and 31 December 2021, respectively. The increase in the reserve is due to the appropriation of profit for the year ended 31 December 2021 to reserves, net of dividends paid. A restriction was placed on the extraordinary reserve for €7,320,000, pursuant to Article 110, paragraph 8, of Italian Decree Law no. 104 of 14 August 2020, converted with amendments by Italian Law no. 126 of 13 October 2020.
- Stock option reserve, recognised for a positive value of €572 thousand, expresses the value of the option, recognised on a straight-line basis over the period between the grant date and the vesting date. The aforementioned reserve refers to the stock incentive plan approved by the Ordinary Shareholders' Meeting of 21 April 2020 and reserved for executive directors and key employees of Sanlorenzo and its subsidiaries. For further details regarding this plan, please refer to the note "Share-based payments" in these financial statements.
- Treasury shares reserve of €(2,950) thousand as at 31 December 2022 was created with the launch of the treasury share buy-back program approved by the Company.
- Cash flow hedge reserve was positive and equal to €2,174 thousand as at 31 December 2022 and negative for €1,102 thousand as at 31 December 2021.
- FTA/OCI reserve, which was affected by the transition of the financial statements to IFRS, in the amount of €(183) thousand as at 31 December 2022 and €(255) as at 31 December 2021.

- Post-merger reserve with capital contributions from the shareholders for €49 thousand as at 31 December 2022 and 31 December 2021, respectively.
- Merger surplus of €107 thousand was formed following the merger by incorporation of Eureka Imbarcazioni S.r.l., which took place in 2012, and PN VSY S.r.l. in 2022.
- Demerger surplus, equal to €11 thousand, was created by the demerger of Polo Nautico Viareggio S.r.l. in 2019.

The following table provides a breakdown of shareholders' equity items with an indication of their possibility of utilisation and distributability.

(€'000)	Amount	Possibility of use*	Portion available	Summary of uses made in the three previous years	
				For loss coverage	For other reasons
Share capital	34,784	B	34,784	–	–
Share premium **	81,236	A - B - C	81,236	–	19,539
Legal reserve	6,878	B	6,878	–	2,585
Extraordinary reserve	88,523	A - B - C	88,523	–	25,613
Stock option reserve	572	A - B - C	572	–	–
Treasury shares reserve	(2,950)			–	–
Cash flow hedge reserve	2,174			–	–
FTA/OCI reserve	(183)			–	–
Post-merger reserve	49	A - B - C	49	–	83
Merger surplus	107	A - B - C	107	–	149
Demerger surplus	11	A - B - C	11	–	–
Total	**211,201**		**212,081**		
Non-distributable portion			**70,304**		
Residual distributable portion			**141,777**		

Notes and keys:
(*) Possibility of use: "A" for capital increase; "B" for coverage of losses; "C" for distribution to shareholders.
(**) Share premium fully available after allocation of the minimum amount (20% of the share capital) to the legal reserve.

Capital management

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

27. Financial liabilities

(€'000)	31 December 2022	31 December 2021	Change
Bank loans and borrowings (beyond 12 months)	40,711	62,242	(21,531)
Other loans and borrowings – IFRS 16 (beyond 12 months)	3,481	2,853	628
Non-current financial liabilities	**44,192**	**65,095**	**(20,903)**
Short-term bank loans (within 12 months)	37,350	27,160	10,190
of which bank loans	*20,011*	*27,126*	*(7,115)*
of which other short-term loans	*17,339*	*34*	*17,305*
Other short-term loans and borrowings – IFRS 16	1,658	1,275	383
Hedging derivative liabilities	1,318	2,273	(955)
Current financial liabilities	**40,326**	**30,708**	**9,618**
Financial liabilities	**84,518**	**95,803**	**(11,285)**

Non-current loans and borrowings, standing at €44,192 thousand and €65,095 thousand as at 31 December 2022 and 31 December 2021, respectively, referred primarily to long-term loans and borrowings.
The non-current portion of Other loans and borrowings amounted to €3,481 thousand as at 31 December 2022 and refers to the effect of application of accounting standard IFRS 16.
Current financial liabilities, equal to €40,326 thousand and €30,708 thousand as at 31 December 2022 and 31 December 2021, respectively, referred to:

- the current portion of bank loans for €37,350 thousand and €27,126 thousand, respectively as at 31 December 2022 and 31 December 2021, including the book value of the loans due within 12 months and the accruals of related interest due to the financing institutions;
- loans and borrowings to other lenders for €1,658 thousand, fully referred to the effect of application of accounting standard IFRS 16;
- liabilities for financial instruments, hedging foreign exchange and interest rate risks, totalling €1,318 thousand and €2,273 thousand as at 31 December 2022 and 31 December 2021, respectively.

The breakdown of financial debt by maturity date is shown in the table below:

(€'000)	31 December 2022	31 December 2021	Change
Within 1 year	40,326	30,708	9,618
From 1 to 5 years	41,303	61,511	(20,208)
Over 5 years	2,889	3,584	(695)
Total	**84,518**	**95,803**	**(11,285)**

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

(€'000)	
Financial liabilities as at 31 December 2021	**95,803**
Changes in fair value of derivatives	(955)
New loan proceeds	48
Loan repayments	(28,693)
Changes in other short-term financial liabilities	17,305
New lease finance (IFRS 16)	1,048
Repayment of lease finance (IFRS 16)	(38)
Financial liabilities as at 31 December 2022	**84,518**

The breakdown of net financial debt of the Company as at 31 December 2022 and as at 31 December 2021 is provided below:

(€'000)		31 December			
		2022	of which intra-group	2021	of which intra-group
A	Cash	139,351	–	134,314	–
B	Cash equivalents	–	–	–	–
C	Other current financial assets	55,254	131	6,490	6,179
D	**Liquidity (A + B + C)**	**194,605**	**131**	**140,804**	**6,179**
E	Current financial debt	(18,657)	–	(2,307)	–
F	Current portion of non-current financial debt	(21,669)	–	(28,401)	–
G	**Current financial indebtedness (E + F)**	**(40,326)**	**–**	**(30,708)**	**–**
H	**Net current financial indebtedness (G + D)**	**154,279**	**131**	**110,096**	**6,179**
I	Non-current financial debt	(44,192)	–	(65,095)	–
J	Debt instruments	–	–	–	–
K	Non-current trade and other payables	–	–	–	–
L	**Non-current financial indebtedness (I + J + K)**	**(44,192)**	**–**	**(65,095)**	**–**
M	**Total financial indebtedness (H + L)**	**110,087**	**131**	**45,001**	**6,179**

For details, see the Report on Operations.
As at 31 December 2022, like in previous years, the Company was required to comply with some financial parameters (covenants) on loans to be calculated, on an annual basis, in the consolidated financial statements of Sanlorenzo S.p.A.
As at 31 December 2022, these parameters were complied with.

Loan	Parameter	Limit
Banco BPM unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50
Cassa Depositi e Prestiti unsecured loan €10m 31.12.26	Net financial position/EBITDA	< 1.80
Cassa Depositi e Prestiti unsecured loan €10m 31.12.26	Net Financial Position/Equity	< 1.00
Crédit Agricole mortgage loan €15m 29.11.26	Net financial position/EBITDA	< 3.25
Crédit Agricole unsecured loan €7m 05.07.23	Net financial position/EBITDA	< 3.00
Deutsche Bank unsecured loan €7.5m 31.03.23	Net financial position/EBITDA	< 3.25
Deutsche Bank unsecured loan €7.5m 31.03.23	Net Financial Position/Equity	< 0.90
Intesa Sanpaolo unsecured loan €20m 30.06.26 (Circular Economy)	Net financial position/EBITDA	< 1.80
Intesa Sanpaolo unsecured loan €20m 30.06.26 (Circular Economy)	Net Financial Position/Equity	< 1.3
MPS unsecured loan €6m 31.12.23	Net financial position/EBITDA	< 1.00
MPS unsecured loan €6m 31.12.23	Net Financial Position/Equity	< 1.00
UniCredit unsecured loan €6m 30.09.25	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €6m 30.09.25	Net Financial Position/Equity	< 0.90
UniCredit unsecured loan €6m 30.09.25	EBITDA/Financial expense	> 6.5
UniCredit unsecured loan €10m 30.06.26	Net financial position/EBITDA	< 2.50
UniCredit unsecured loan €10m 30.06.26	Net Financial Position/Equity	< 0.90
UniCredit unsecured loan €10m 30.06.26	EBITDA/Financial expense	> 6.5

The following table shows the conditions and due dates of the loans as at 31 December 2022 and 31 December 2021, respectively.

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2022					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Sanlorenzo S.p.A.								
Banco BPM - Unsecured loan €10m 30.06.26	0.6%	2026	7,368	(8)	7,360	2,101	5,259	–
Banco BPM - Mortgage loan €814k 31.12.30	1.5%	2030	576	–	576	69	285	222
Banco BPM - Mortgage loan €7.41m 31.12.30	1.5%	2030	5,247	–	5,247	632	2,598	2,017
Banco di Sardegna - Unsecured loan €5m 30.09.25	–	2022	–	–	–	–	–	–
BNL - Unsecured loan €5m 30.06.2023	0.0%	2023	2,500	–	2,500	2,500	–	–
BPER - Unsecured loan €5m 30.09.25	0.9%	2025	2,765	–	2,765	1,001	1,764	–
Cassa Depositi e Prestiti - Unsecured loan €10m 31.12.26	1.1%	2026	5,714	1	5,715	1,429	4,286	–
Crédit Agricole - Mortgage loan €15m 29.11.26	1.0%	2026	6,360	(18)	6,342	1,558	4,784	–
Crédit Agricole - Unsecured loan €7m 05.07.23	0.8%	2023	1,080	–	1,080	1,080	–	–
Deutsche Bank - Unsecured loan €7.5m 31.03.23	1.0%	2023	375	–	375	375	–	–
Intesa Sanpaolo - Unsecured loan €3m 13.07.22	–	2022	–	–	–	–	–	–
Intesa Sanpaolo - Unsecured loan €20m 30.06.26 (Circular Economy)	0.6%	2026	15,556	(30)	15,526	4,436	11,090	–
MPS - Unsecured loan €6m 31.12.23	0.8%	2023	1,200	(2)	1,198	1,198	–	–
UniCredit - Unsecured loan €15m 31.12.22	–	2022	–	–	–	–	–	–
UniCredit - Unsecured loan €6m 30.09.25	0.7%	2025	4,125	(3)	4,122	1,499	2,623	–
UniCredit - Unsecured loan €10m 30.06.26	0.6%	2026	7,368	(7)	7,361	2,103	5,258	–
Simest - Facilitated loan "Capitalisation" 31.12.27	0.6%	2027	480	–	480	–	480	–
Simest - Facilitated loan for "Fairs and Exhibitions" 08.04.25	0.6%	2025	75	–	75	30	45	–
Total Sanlorenzo S.p.A.			**60,789**	**(67)**	**60,722**	**20,011**	**38,472**	**2,239**

31 December 2021						
Nominal value	**Accounting records**	**Carrying amount**	**Within 1 year**	**From 1 to 5 years**	**Over 5 years**	
						Sanlorenzo S.p.A.
9,474	(14)	9,460	2,100	7,360	–	Banco BPM - Unsecured loan €10m 30.06.26
645	–	645	69	282	294	Banco BPM - Mortgage loan €814k 31.12.30
5,875	–	5,875	624	2,571	2,680	Banco BPM - Mortgage loan €7.41m 31.12.30
3,762	(1)	3,761	996	2,765	–	Banco di Sardegna - Unsecured loan €5m 30.09.25
5,000	–	5,000	3,750	1,250	–	BNL - Unsecured loan €5m 30.06.2023
3,762	(1)	3,761	996	2,765	–	BPER - Unsecured loan €5m 30.09.25
7,143	–	7,143	1,429	5,714	–	Cassa Depositi e Prestiti - Unsecured loan €10m 31.12.26
7,921	(34)	7,887	1,550	6,337	–	Crédit Agricole - Mortgage loan €15m 29.11.26
2,510	(3)	2,507	1,428	1,079		Crédit Agricole - Unsecured loan €7m 05.07.23
1,875	(1)	1,874	1,499	375	–	Deutsche Bank - Unsecured loan €7.5m 31.03.23
450	–	450	450	–	–	Intesa Sanpaolo - Unsecured loan €3m 13.07.22
20,000	(40)	19,960	4,429	15,531	–	Intesa Sanpaolo - Unsecured loan €20m 30.06.26 (Circular Economy)
2,400	(6)	2,394	1,196	1,198	–	MPS - Unsecured loan €6m 31.12.23
3,000	(5)	2,995	2,995	–	–	UniCredit - Unsecured loan €15m 31.12.22
5,625	(4)	5,621	1,498	4,123	–	UniCredit - Unsecured loan €6m 30.09.25
9,474	(9)	9,465	2,102	7,363	–	UniCredit - Unsecured loan €10m 30.06.26
480	–	480	–	360	120	Simest - Facilitated loan "Capitalisation" 31.12.27
90	–	90	15	75	–	Simest - Facilitated loan for "Fairs and Exhibitions" 08.04.25
89,486	**(118)**	**89,368**	**27,126**	**59,148**	**3,094**	**Total Sanlorenzo S.p.A.**

28. Trade payables

(€'000)	31 December 2022	31 December 2021	Change
Payables to suppliers	127,515	108,164	19,351
Payables to subsidiaries	1,234	497	737
Payables to associates	8,077	153	7,924
Payables to parent company	372	–	372
Trade payables	**137,198**	**108,814**	**28,384**

Trade payables include payables to suppliers and payables to associates, subsidiaries and parent companies.
Payables to suppliers amounted to €127,515 thousand and €108,164 thousand as at 31 December 2022 and 31 December 2021, respectively.
Payables to subsidiaries show a balance of €1,234 thousand as at 31 December 2022 and €497 thousand as at 31 December 2021.
Payables to associated companies show a balance of €8,077 thousand as at 31 December 2022 and €153 thousand as at 31 December 2021.
Payables to holding company show a balance of €372 thousand as at 31 December 2022.

A breakdown of payables to suppliers as current and non-current is as follows:

(€'000)	31 December 2022	31 December 2021	Change
Payables to suppliers	127,515	108,164	19,351
of which current	*127,515*	*108,164*	*19,351*
Payables to suppliers	**127,515**	**108,164**	**19,351**

The breakdown of payables to suppliers by geographical area is as follows:

(€'000)	31 December 2022	31 December 2021	Change
Italy	121,801	103,534	18,267
Europe (other countries)	4,895	2,868	2,027
Americas	181	(91)	272
APAC	541	1,812	(1,271)
MEA	97	41	56
Payables to suppliers	**127,515**	**108,164**	**19,351**

29. Other current liabilities

(€'000)	31 December 2022	31 December 2021	Change
Social security contributions	2,206	1,801	405
Other liabilities	11,023	9,661	1,362
Accrued expenses and deferred income	12,711	7,883	4,828
Other current liabilities	**25,940**	**19,345**	**6,595**

Social security contributions refer to the position at the reporting date and mainly include amounts to INPS, INAIL and Previndai (Italian social security institutions) for contributions due on wages and salaries. They were equal to €2,206 thousand as at 31 December 2022 and €1,801 thousand as at 31 December 2021, up by €405 thousand.
Other payables show a balance as at 31 December 2022 equal to €11,023 thousand and are mainly represented by the payable to employees for salaries and accruals.
Accrued expenses and deferred income were up between 2021 and 2022 by €4,828 thousand. Deferred income mainly refers to suspended revenues relating to margins on sales of boats and commissions due, which accrue according to the progress of work on the construction of boats.

30. Employee benefits

(€'000)	31 December 2022	31 December 2021
Opening balance	**798**	**725**
Allocations	70	198
Interest	14	4
Utilisations	(136)	(131)
Incoming and outgoing employees	–	–
Present value as at 31 December	**746**	**796**
Net actuarial gains/(losses) based on past experience	48	1
Net actuarial gains/(losses) arising on changes to demographic assumptions	–	–
Net actuarial gains/(losses) arising on changes to financial assumptions	(171)	1
Closing balance	**623**	**798**

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

FINANCIAL ASSUMPTIONS

	31 December 2022	31 December 2021
Annual discount rate	3.77%	0.98%
Annual inflation rate	2.30%	1.75%
Annual growth rate of post-employment benefits	3.23%	2.81%
Annual remuneration growth rate	0.50%	0.50%

DEMOGRAPHICAL ASSUMPTIONS

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

ANNUAL TURNOVER AND TFR ADVANCE FREQUENCIES

	31 December 2022	31 December 2021
Advances	1.00%	1.00%
Turnover rate	1.50%	1.50%

31. Provisions for risks and charges

(€'000)	Provision for dispute risks	Provision for warranties	Provision for write-down of investment	Provisions for risks on pre-owned boats	Exchange rates fluctuations	Contract completion provision	Total
Value as at 31 December 2021	**5,921**	**4,570**	**2,387**	**153**	**150**	**–**	**13,181**
Allocations	900	250	–	181	–	–	1,331
Utilisations	(300)	–	–	(153)	–	–	(453)
Other changes/reclassifications	(1,234)	–	–	–	18	3,742	2,526
Value as at 31 December 2022	**5,287**	**4,820**	**2,387**	**181**	**168**	**3,742**	**16,585**

Provisions for risks and charges include the following items:

- Provision for dispute risks: this provision was established to cover risks related to civil and tax disputes for an amount of €5,287 thousand as at 31 December 2022 and refers to the amount set aside as a precautionary measure by the Company to settle such disputes. The provision of €900 thousand refers mainly to the coverage of professional fees and contingent tax liabilities abroad, while the other changes/reclassifications concern the portion of the provision used to settle the Parent Company's tax dispute with the Revenue Agency. For more details, please see the paragraph below.
- Provision for warranties item quantified based on the best estimate to date of the possible costs that will be incurred for repairs under warranty on yachts already sold at the end of the financial year and for which revenues have therefore been booked; The provision for warranties covers the new boats of the Company. The item stood at €4,820 thousand as at 31 December 2022 and €4,570 thousand as at 31 December 2021. The warranty period is two years for new boats and one year for pre-owned boats.
- Provision for losses on equity investments: this had been set up in order to align the investment in the subsidiary Sanlorenzo Baleari SL to parent's share of its equity. This item shows a balance of €2,387 thousand for the year ended 31 December 2021 and 31 December 2022.
- Provisions for risks on pre-owned boats: as at 31 December 2022, it amounted to €181 thousand and refers to the commitment for withdrawing pre-owned on new boats.
- Provision for exchange rate fluctuations: at 31 December 2022 the balance amounted to €168 thousand.
- Contract completion provision: this amounted to €3,742 thousand and refers to the reclassification of the provision previously included in contract liabilities.

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

(€'000)	31 December 2022	31 December 2021	Change
Provision for warranties	4,820	4,570	250
of which current	*3,617*	*3,386*	*231*
of which non-current	*1,203*	*1,184*	*19*
Provision for warranties	**4,820**	**4,570**	**250**

The main proceedings and inspections involving the Company are described below.

Administrative, in-court and arbitration proceedings

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

The Company, at the approval date of these annual financial statements, is involved in legal proceedings as part of its normal business activities. They could lead to fines or compensation for damage imputable to the Company. As far as the Company is aware, these legal proceedings are normal, given the Company's operations and size. Specifically, at the approval date of these annual financial statements, the Company is not involved in any legal proceedings that could have a significant adverse effect. However, it cannot be excluded that their outcome could negatively affect the Company's financial position, performance and cash flow in the future.

Assisted by its legal advisors, the Company has not set up a specific provision for possible liabilities that could arise from the proceedings in its financial statements as it deems that a negative outcome in said disputes is either not possible or remote.

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

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

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

The main proceedings and inspections involving the Company are described below.

Arbitration proceedings

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

Tax proceedings

As already extensively described in the Annual Financial Report as at 31 December 2021, the Company, following the conclusion of tax audits carried out for direct tax and VAT purposes by the Revenue Agency - Regional Directorate of Liguria, was notified: (i) three notices of assessment for IRES, IRAP and VAT relating to the tax years 2013, 2014 and 2015 as well as a tax audit report and an invitation to cross-examination for IRES, IRAP and VAT relating to the tax year 2016. Against the notices of assessment, the Company activated its defences in court, being victorious in the first instance with regard to the main allegation concerning VAT.
With reference to the tax audit relating to the 2016 tax period, in the course of 2022, a specific discussion was started with the Revenue Agency - Regional Directorate of Liguria aimed at the possible settlement of the audit on the aforesaid tax period, within the scope of the assessment with adhesion. During this discussion, the Company reached an agreement with the Revenue Agency - Regional Directorate of Liguria in order to define - benefiting from the favourable provisions contained in the Budget Law 2023 L. 197/2022 on the subject of settlement and facilitated conciliations of tax disputes - in an overall manner all the tax periods subject to assessment/verification (2013-2014-2015-2016) with a total charge of €1,513 thousand (including taxes, penalties and interest), compared to a total maximum risk of €8,547 thousand (also including the estimate of penalties and interest relating to the verification on the 2016 tax period). This total charge of €1,513 thousand is covered by the provision for risks set up in previous years. It should be noted that, during the trial, the Company had made payments in the amount of €278 thousand and, therefore, the remaining debt is €1,234 thousand.
In relation to the agreement described above, the adhesion deeds with the Revenue Agency - Regional Directorate of Liguria for the individual tax periods will be signed in the first months of 2023, and the relevant payments will be made for the final settlement of the disputes.

Administrative proceedings

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

Financial instruments – Fair values and risk management

32. Derivatives

The Company uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. The item includes the fair value of the derivative instruments outstanding at each reference date.
As at 31 December 2022, the Company had the following derivatives in its portfolio:

- forward agreements relating to sales of US dollars against euros for a notional total of €80,270 thousand designated as instruments hedging amounts received in US dollars by the subsidiary Sanlorenzo of the Americas LLC;
- interest rate swaps and interest rate caps for a notional total of €34,198 thousand designated as instruments hedging interest rates on floating rate medium/long-term loans.

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

(€'000)	31 December 2022	31 December 2021	Change
Derivative assets with positive values			
Currency hedges	1,769	116	1,653
Interest rate hedges	2,361	195	2,166
Total assets	**4,130**	**311**	**3,819**
Derivative liabilities			
Currency hedges	(1,318)	(165)	(1,153)
Interest rate hedges	–	(2,108)	2,108
Total liabilities	**(1,318)**	**(2,273)**	**955**

At the end of each period, the Company determines whether there have been any transfers between the different "levels" of the fair value hierarchy by re-assessing their classification (if the inputs used to measure the fair value of an asset or liability are classified in the different levels of the fair value hierarchy, the entire valuation is placed in the same level of the hierarchy as the lowest level input that is significant to the entire valuation).
In this regard, it should be noted that there were no transfers between the "levels" of the fair value hierarchy in the period.

33. Cash management

In view of the strong cash generation at the operational level and the resulting significant cash held, the Group implemented a cash management and investment strategy.
Specifically, as at 31 December 2022, the Company had the following financial instruments in its portfolio:

- a restricted time deposit of €16,000 thousand, included in current assets and measured at fair value level 1;
- unrestricted time deposits of €102,813 thousand, included in cash and cash equivalents and measured at fair value level 1;
- listed bonds and certificates of investment-grade issuers with a market value of €30,082 thousand, measured at fair value level 1;
- a guaranteed-capital life insurance contract for €4,900 thousand, measured at fair value level 3.

Given the characteristics of these financial instruments and the management purposes pursued, their fair value is recognised in profit/(loss) for the year (FVTPL).

(€'000)	31 December 2022	31 December 2021	Change
Restricted time deposits	16,000	–	16,000
Non-restricted time deposits	102,813	–	102,813
Listed bonds and certificates	30,082	–	30,082
Insurance policies	4,900	–	4,900
Total cash invested	**153,795**	**–**	**153,795**

34. Financial Risk Management

Credit risk

Credit risk represents the Company's exposure to potential losses that may arise from a counterparty's failure to meet its obligations.

It is noted that, given the type of products sold by the Group, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership. The yacht sale contracts also provide for the Company's right to withdraw from the contract in the event of non-payment of any sum due within the established terms, with the consequent withholding by the Company of any amount collected, refunding to the defaulting party the amounts paid by the latter with the proceeds from the resale of the yacht to a new purchaser, net of expenses, interest and an amount for loss of earnings.

Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Company business, the Company has a prevention and monitoring system, using external sources and internal systems that allow preventive controls on customers' reliability and solvency. Provisions are also made for doubtful or non-performing positions pending the conclusion of the related legal proceedings or out-of-court recovery attempts. The Company believes that the loss allowance is appropriate to cope with the risk of potential non-collection of past due receivables. For further details, please refer to the note "Trade receivables" in these financial statements.

Liquidity risk

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

Liquidity risk may arise from any difficulty in obtaining timely funding to support operating activities and may manifest itself in the inability to obtain the necessary resources on economic terms.

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

The Company has dealt with liquidity risk by reinvesting cash flows from operations, in addition to obtaining substantial lines of credit with a number of banks, the total amount of which is deemed more than sufficient to meet its financial requirements, also taking into account the effects of the seasonal nature of the sector on cash flows. The concentration of the collection of orders and deliveries in specific periods of the year, against the constant flow of payments to Company suppliers and contractors, has in fact, an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which short-term financial debt may be higher as a result of the lower flow of collections. The Company therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements.
As at 31 December 2022, the Company has bank credit lines to meet liquidity needs of €92,500 thousand, in addition to €194,605 thousand of cash and against a total gross debt of €84,518 thousand (including lease liabilities and the fair value of derivatives).
For further details on the maturity dates of the financial debt, see the note "Financial liabilities" in these financial statements.

Exposure to interest rate fluctuation
The Company is exposed to changes in interest rates on its medium-long term floating rate debt instruments, entirely referring to the Euro zone. The management of interest rate risk is consistent with established practice over time aimed at reducing the risk of volatility in interest rates and achieving an optimal mix between variable and fixed rates in the structure of loans, thereby mediating fluctuations in market interest rates in order to pursue, at the same time, the objective of minimising financial expense.
The Company manages the risk of interest rate fluctuations through the use of derivative hedging instruments, such as interest rate swaps or interest rate caps with financial counterparties of primary standing.
As at 31 December 2022, Sanlorenzo has 5 interest rate swaps and 1 interest rate cap in place for a total notional amount of €54,376 thousand.
The following table shows an analysis of the sensitivity of derivative instruments on interest rates, carried out by applying to the portfolio a variation, positive or negative, of the interest rate curve in €of 10 basis points.

(€'000)	Fair value as at 31 December 2022	Change +10 basis points	Change -10 basis points
Interest rate hedges	2,361	2,417	2,305

Exposure to exchange rate fluctuations

The geographical distribution of Group commercial activities entails exposure to transaction and translation exchange rate risk.
Transaction risk arises from primarily commercial transactions carried out by individual companies in currencies other than their functional currency, as a result of fluctuations in exchange rates between the time at which the relationship originates and the time at which the transaction is completed (collection/payment).
In terms of revenues, the Euro is the most commonly used invoicing currency for the sale of yachts. The residual cases of sales of yachts in other currencies exclusively concern contracts signed by the subsidiary Sanlorenzo of the Americas denominated in US dollars.
The Company manages the risks of changes in foreign exchange rates on US dollar sales through its foreign currency sales pricing policy and through the use of derivative financial instruments. In particular, when setting the sale price in foreign currency, the Company, starting from its own margin objectives in Euro, usually applies the exchange rate in force on the date of stipulation of the contract and start of construction of the vessel, increased by the financial component (cost of carry) connected with the expected timing of receipts from the sale. On these maturities, the Company carries out hedging operations through derivative instruments, typically forwards or other types of forward sale with financial counterparties of primary standing, implementing a policy of hedging only transactional exchange rate risk, thus deriving from existing commercial transactions and future contractual commitments.
As at 31 December 2022, the Company had forward contracts for the sale of US dollars relating to collections to be received for a total notional amount of €80,270 thousand.
The following table shows an analysis of the sensitivity of derivatives on exchange rates, carried out by applying to the portfolio a variation, positive or negative, of the Euro against the US dollar equal to 5%.

(€'000)	Fair value as at 31 December 2022	Appreciation of 5% of US Dollar against Euro	Depreciation of 5% of US Dollar against Euro
Currency hedges	451	4,128	(3,609)

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

GROUP STRUCTURE

35. Subsidiaries

The following table provides information, as at 31 December 2022, concerning the name and registered office of all subsidiaries, as well as the Company's direct or indirect holdings in their share capital.

Company name	Registered Office	Currency	Share capital (currency unit)	Percentage of ownership	
				Direct	Indirect
Bluegame S.r.l.	Ameglia (SP) – Italy	Euro	100,000	100.0%	–
PN Sviluppo S.r.l.	Viareggio (LU) – Italy	Euro	40,000	100.0%	–
Sanlorenzo Arbatax S.r.l.	Ameglia (SP) – Italy	Euro	10,000	100.0%	–
Equinoxe S.r.l.	Turin (TO) – Italy	Euro	184,536	100.0%	–
Equinoxe Yachts International S.r.l.	Turin (TO) – Italy	Euro	200,000	–	100.0%
Polo Nautico Viareggio S.r.l.	Viareggio (LU) – Italy	Euro	667,400	52.49%	–
I.C.Y. S.r.l.	Adro (BS) – Italy	Euro	100,000	–	60.0%
Sanlorenzo Baleari SL	Puerto Portals, Mallorca – Spain	Euro	500,000	100.0%	–
Marine Yachting Monaco S.A.M.	Monte–Carlo – Principality of Monaco	Euro	150,000	99.7%	–
Sanlorenzo of the Americas LLC	Fort Lauderdale (FL) – USA	USD	2,000,000	90.0%	–
Fortune Yacht LLC	Fort Lauderdale (FL) – USA	USD	1,000	–	90.0%

Bluegame S.r.l.

This company, with registered office in Ameglia, was set up at the end of 2017 to acquire the historical "Bluegame" brand from Open Boat Italia, a company owning yacht moulds, under deed of arrangement. In 2019, the Parent Company acquired a 49.5% stake in Bluegame from other shareholders, which, added to the 50.5% stake already in its possession, has given it a 100% stake.
The company ended 2022 with a net profit equal to €4,642 thousand, up significantly compared to the €3,128 thousand recorded in 2021.

I.C.Y. S.r.l.

On 20 July 2022, Bluegame S.r.l. completed the purchase of 60% of the shares of I.C.Y. S.r.l., its historical partner in the production of some product lines; this acquisition is aimed at consolidating and increasing Bluegame's production capacity to support growth.
I.C.Y. S.r.l. has its registered office in Adro (Brescia), has a share capital of €100 thousand and closed the year 2022 with a profit of €15 thousand.

Equinoxe S.r.l. and Equinoxe Yachts International S.r.l.

Equinoxe S.r.l, founded in 1986 and based in Turin, has established itself over 30 years as a benchmark in charter services.
On 19 December 2022, Sanlorenzo S.p.A. finalised the acquisition of 100% of the share capital of Equinoxe S.r.l., and its wholly-owned subsidiary Equinoxe Yachts International S.r.l. operating in the same sector, for an amount of €2,100 thousand.
Subsequently, on 27 December 2022, the Board of Directors of Equinoxe S.r.l. approved the merger by incorporation of Equinoxe Yachts International S.r.l., a transaction that will be finalised in early 2023.
Equinoxe S.r.l., having 31 August as its tax year-end date, in order to align with the Sanlorenzo Group's closing date, changed this date to 31 December. It therefore closed for a period of four months (i.e. 1 September 2022 - 31 December 2022) with a negative result of €22 thousand.
Equinoxe Yachts International S.r.l. closed 2022 with a negative result of €23 thousand.

Sanlorenzo Arbatax S.r.l.

The company, based in Ameglia, was established on 14 October 2022 and has as its object the production of small/medium size composite semi-finished products. This activity will start in the course of 2023. As at 31 December 2022, the company had a loss of €31 thousand.

Sanlorenzo of the Americas LLC

Based in Fort Lauderdale (Florida, USA), this company's business objective is to sell Sanlorenzo boats to international customers in Canada, the US and Central and South America as well as acting as a dealer and providing post-sale support in these markets. Since its incorporation in September 2008, Sanlorenzo of the Americas has steadily promoted the Sanlorenzo brand in the American markets.
On 15 July 2019, Sanlorenzo S.p.A sold a 10% stake in Sanlorenzo of the Americas to the Chief Executive Officer of the company, Marco Segato.
In the year ended 31 December 2022, the subsidiary recorded a €6,261 thousand gain for IFRS purposes, against a €3,280 thousand gain as at 31 December 2021.

Sanlorenzo Baleari SL

This company, based in Puerto Portals, Mallorca (Spain) with a share capital of €500 thousand, provides support to the sales and customer service activities in Spain and the Balearic Islands.
In 2020, Sanlorenzo S.p.A. subscribed the entire share capital, increasing its stake from 51% to 100%.
In 2022, the company recorded a profit equal to €504 thousand, while in 2021 it recorded a profit of €270 thousand.

Marine Yachting Monaco S.A.M.

The company, with registered office in the Principality of Monaco and a share capital of €150 thousand, carries out sales support and service activity to customers in the area.
On 28 September 2020, Sanlorenzo S.p.A. acquired a 40.0% stake in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Currently, Sanlorenzo S.p.A. holds 99.7% of the share capital of Marine Yachting Monaco.
The company closed 2022 with a loss of €46 thousand, in line with the previous year.

PN Sviluppo S.r.l.

The company, based in Viareggio and with a share capital of €40 thousand, was established in December 2021 and holds 50% of the share capital of Restart SpA, a 50:50 joint venture established with Ferretti Group to participate in the auction for the acquisition of Perini Navi S.p.A., awarded in December 2021 to a third bidder.
The company closed 2022 with a loss of €20 thousand.

Fortune Yacht LLC

The company, headquartered in Fort Lauderdale and with a capital of USD 1 thousand, is wholly owned by Sanlorenzo of the Americas LLC and conducts brokerage business in the American market.
The company closed 2022 with a profit of €149 thousand.

36. Associated companies

At 31 December 2022, the Company holds the following equity investments in associated companies, included in the Company's financial statements with the equity method:

Company name	Registered Office	Currency	Share capital (currency unit)	Percentage of ownership	
				Direct	Indirect
Carpensalda Yacht Division S.r.l.	Livorno (LI) – Italy	Euro	8,000,000	48.00%	–
Duerre S.r.l.	Vicopisano (PI) – Italy	Euro	1,000,000	33.00%	–
Restart S.p.A. in liquidation (through PN Sviluppo S.r.l.)	Milan (MI) – Italy	Euro	50,000	–	50.00%
Sa.La. S.r.l. (through Carpensalda Yacht Division S.r.l.)	Viareggio (LU) – Italy	Euro	50,000	–	48.00%

ADDITIONAL INFORMATION

37. Commitments

The most significant contractual commitments undertaken with third parties as at 31 December 2022 refer to:

- corporate guarantee issued by the Company on a credit line granted to a brand representative amounting to €4,200 thousand;
- credit mandates for bank credit lines granted to Bluegame S.r.l. and Sanlorenzo of the Americas LLC for a total of €35,603 thousand;
- several guarantees for a total of €489 thousand and refer to sureties related to state concessions, public administrations and others.

38. Contingent liabilities

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

39. Share-based payments

On 21 April 2020, the Shareholders' Meeting of Sanlorenzo S.p.A. approved, pursuant to and for the purposes of Article 114-bis of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), the adoption of an incentive and loyalty plan called "Stock Option Plan 2020" reserved to the executive directors, general managers, managers with strategic responsibilities and employees with a permanent employment contract and qualification as at least an office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The 2020 Stock Option Plan provides for the free assignment to each of the beneficiaries of options that grant the right to subscribe ordinary shares of Sanlorenzo S.p.A. to be issued in execution of the share capital increase planned to service the plan, at a ratio of 1 share for each 1 option, at a price set at €16.00 per share.
Performance goals are determined by one or more of the following parameters: (i) Consolidated EBITDA as at 31 December of the relevant year; (ii) Consolidated Net Financial Position as at 31 December of the relevant year; and (iii) personal objectives established due to the Beneficiary's role and function.
The maximum total number of ordinary shares of Sanlorenzo S.p.A., which can be assigned to the beneficiaries for the implementation of the Plan, is equal to 884,615 ordinary shares, i.e. all the shares that can be issued in execution of the capital increase. As at 31 December 2022, a total of 879,285 options have been granted.
The vesting period of the options is four years, in compliance with the minimum average vesting period of two years provided for by the regulations.
As at 31 December 2022, a total of 422,619 options were exercisable (relating to the financial years 2020 and 2021), of which 284,089 options had been exercised by the end of the financial year.

40. Related parties and intra-group transactions

Business and financial relationships with related parties are governed under market conditions, taking into account the characteristics of the goods and services provided.
Transactions with related parties deemed relevant pursuant to the "Procedure on related-party transactions" adopted by the Group, available on the Company's website (www.sanlorenzoyacht.com) under the "Corporate Governance" section, are described below.
In 2022, outstanding transactions with related parties regard primarily business and financial transactions carried out under market conditions, as listed below.

Holding Happy Life S.r.l.
Business transactions with Holding Happy Life S.r.l. (HHL), the holding company of Sanlorenzo, regard the contract for the acquisition of a Sanlorenzo SP110 yacht signed on 16 November 2020 based on the approval of the Sanlorenzo Board of Directors of 9 November 2020, which boat was paid for and delivered in the first half of 2022. On 5 November 2021, HHL and Sanlorenzo entered into an agreement to provide the aforementioned yacht for marketing activities – a contract previously approved by the Board of Directors on 4 November 2021, following a favourable opinion from the Related Parties Transaction Committee dated 3 November 2021.
On 13 September 2021, the Sanlorenzo Board of Directors, subject to the positive opinion of the Related-Party Transactions Committee on 30 July 2021, approved the sale to HHL of the prototype of the superyacht 50Steel equipped with a system of fuel cells powered by hydrogen obtained from methanol for the generation of electricity on board. The contract of sale of this boat was signed on 12 July 2022.

Nuova Nautical Transports S.r.l.
Business transactions with Nuova Nautical Transports S.r.l., the chief executive officer of which, Gian Paolo Tamburini, is the uncle of the Chairman and Chief Executive Officer Massimo Perotti and great uncle of the director Cecilia Maria Perotti, regard the on-road goods transport activity for Sanlorenzo, pursuant to the framework agreement entered into on 6 April 2020, expiring on 31 December 2022, based on the resolution of the Board of Directors of 20 March 2020. On 27 April 2022, the Company was placed in liquidation.

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

Fondazione Sanlorenzo
Transactions with the Fondazione Sanlorenzo, established by the Perotti family on 19 April 2021, are related to the non-exclusive and free use license of the brand "Sanlorenzo" for the purpose of carrying out the foundation's institutional activities and to the initial contribution of €50 thousand paid in June 2021, following the resolution of the Board of Directors of Sanlorenzo of 4 May 2021. During 2022, the Company paid an additional €50 thousand.

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

Antonio Santella

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

The tables below provide information on transactions with related parties as at 31 December 2022 impacting the income statement as well as the balance sheet.

(€'000)	Revenues	Costs for raw materials, consumables and finished products	Outsourcing	Other costs for services	Other operating costs	Personnel expenses	Net financial income/(expense)
Holding Happy Life S.r.l.	13,303	–	–	(12)	–	–	–
Nuova Nautical Transports S.r.l.	–	–	–	(48)	–	–	–
World Yachts S.r.l.	3	(4,002)	(35)	–	–	–	–
Fondazione Sanlorenzo	–	–	–	–	(50)	–	–
Ferruccio Rossi	–	–	–	(67)	–	(1,055)	1
Antonio Santella	–	–	–	–	–	(452)	1
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	(2,564)	–	(3,664)	–
Total related parties	**13,306**	**(4,002)**	**(35)**	**(2,691)**	**(50)**	**(5,171)**	**2**
Total financial statements	**666,480**	**(201,781)**	**(237,858)**	**(57,162)**	**(5,476)**	**(47,461)**	**261**
Incidence %	*2.0%*	*2.0%*	–	*4.7%*	*0.9%*	*10.9%*	*0.8%*

(€'000)	Property, plant and equipment	Other current assets	Contract assets	Trade receivables	Contract liabilities	Trade payables	Other current liabilities
Holding Happy Life S.r.l.	–	–	2,854	368	–	372	–
Nuova Nautical Transports S.r.l.	45	–	–	–	–	–	–
World Yachts S.r.l.	–	–	–	–	–	694	–
Fondazione Sanlorenzo	–	–	–	–	–	–	–
Ferruccio Rossi	–	133	–	–	–	–	597
Antonio Santella	–	75	–	–	–	–	78
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	–	–	848
Total related parties	**45**	**208**	**2,854**	**368**	**–**	**1,066**	**1,523**
Total financial statements	**138,701**	**48,386**	**156,178**	**24,733**	**142,643**	**137,198**	**25,940**
Incidence %	–	*0.4%*	*1.8%*	*1.5%*	–	*0.8%*	*5.9%*

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

- Confindustria Nautica: industry association to which Sanlorenzo adheres and in which the Chair Massimo Perotti and the managing director Carla Demaria are members of the board;
- I Saloni Nautici S.r.l.: company that organises the Genoa Boat Show and of which the managing director Carla Demaria is Chair;

Intra-group relations and transactions with associated companies

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

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

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

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

(€'000)	Revenues	Costs for raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial income/ (expense)
Sanlorenzo Baleari SL	8,620	–	–	(38)	–	16
Marine Yachting Monaco S.A.M.	–	–	–	(2)	–	–
Bluegame S.r.l.	1,450	–	–	(8)	–	–
Polo Nautico Viareggio S.r.l.	129	–	–	(336)	–	14
Sanlorenzo Arbatax S.r.l.	–	–	–	–	–	20
Sanlorenzo of the Americas LLC	117,164	(34)	–	(2,678)	–	33
Total	**127,363**	**(34)**	**–**	**(3,062)**	**–**	**83**
Total financial statements	**666,480**	**(201,781)**	**(237,858)**	**(57,162)**	**(47,461)**	**261**
Incidence %	*19.1%*	–	–	*5.4%*	–	*31.8%*

(€'000)	Other current assets	Contract assets	Other financial assets, including derivatives	Trade receivables	Contract liabilities	Trade payables
Sanlorenzo Baleari SL	–	–	4,511	19	–	118
Marine Yachting Monaco S.A.M.	–	–	–	–	–	–
Bluegame S.r.l.	–	–	–	560	–	2
Polo Nautico Viareggio S.r.l.	–	–	3,237	147	–	598
Sanlorenzo Arbatax S.r.l.	–	–	3,675	21	–	–
Sanlorenzo of the Americas LLC	–	–	–	4,024	7,437	515
Total	**–**	**–**	**11,423**	**4,771**	**7,437**	**1,233**
Total financial statements	**48,386**	**156,178**	**66,546**	**24,733**	**142,643**	**137,198**
Incidence %	–	–	*17.2%*	*19.3%*	*5.2%*	*0.9%*

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

(€'000)	Revenues	Costs for raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial income/ (expense)
Carpensalda Yacht Division S.r.l.	–	(52)	(10,783)	(215)	–	34
Duerre S.r.l.	66	(2,075)	(9,197)	–	–	14
Total	**66**	**(2,127)**	**(19,980)**	**(215)**	**–**	**48**
Total financial statements	**666,480**	**(201,781)**	**(237,858)**	**(57,162)**	**(47,461)**	**261**
Incidence %	–	*1.1%*	*8.4%*	*0.4%*	–	*18.4%*

(€'000)	Other current assets	Contract assets	Other financial assets, including derivatives	Trade receivables	Contract liabilities	Trade payables
Carpensalda Yacht Division S.r.l.	–	–	2,700	1,255	–	4,090
Duerre S.r.l.	–	–	1,450	2,252	–	4,271
Total	**–**	**–**	**4,150**	**3,507**	**–**	**8,361**
Total financial statements	**48,386**	**156,178**	**66,546**	**24,733**	**142,643**	**137,198**
Incidence %	–	–	*6.2%*	*14.2%*	–	*6.1%*

Remunerations paid by the Company

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

(€'000)	31 December 2022
Emoluments	2,510
Remuneration for participation in committees	41
Total remuneration paid to the Board of Directors	**2,551**

(€'000)	31 December 2022
Total remuneration paid to the Board of Statutory Auditors (excluding statutory increases)	80
Total remuneration paid to the Board of Statutory Auditors	**80**

(€'000)	31 December 2022
Total remuneration paid to the Managers with strategic responsibilities	**5,171**
of which gross annual salary	*2,141*
of which bonus	*700*
of which transactions	*594*
of which fair value of stock options	*141*

Remuneration to the Independent Auditing Firm

The Financial Statements are audited by BDO Italia S.p.A. in accordance with the assignment conferred by the Shareholders' Meeting of 23 November 2019, which runs for nine financial years (2019-2027).
Pursuant to Article 149-duodecies of the Issuers' Regulations, the remuneration paid to the Independent Auditing Firm is provided below.

(€'000)	Party that provided the service	Remuneration for 2022
Statutory Audit	BDO Italia S.p.A.	106
Total remuneration paid to the Independent Auditing Firm		**106**

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

During 2022, different types of aid were recognised, as shown in the table below.

Beneficiary	Amount recognised (Euro)	Description
Sanlorenzo S.p.A.	10,000	Trade fair voucher payable to companies for participation in international trade fairs organised in Italy, pursuant to Article 25-bis of Italian Decree Law no. 50 of 17 May 2022.
Sanlorenzo S.p.A.	27,000	Training to compete in boating
Sanlorenzo S.p.A.	3,855	Tax credit for incremental advertising investments in newspapers, periodicals and local television and radio stations

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

Management and coordination activities

In addition to the situation of control pursuant to Article 93 of Italian Legislative Decree 58/1998 (Consolidated Law on Finance), the parent company Holding Happy Life S.r.l does not exercise management and coordination activities over Sanlorenzo pursuant to Articles 2497 et seq. of the Italian Civil Code.
It should be noted that, pursuant to Article 2427 of the Italian Civil Code no. 22 quienquies and sexies, the company that draws up the consolidated financial statements of the largest group of companies of which the company is part is Holding Happy Life S.r.l. with registered office in Turin, Via Ettore De Sonnaz 19, while the company that prepares the consolidated financial statements of the smallest group is Sanlorenzo S.p.A.

ACCOUNTING STANDARDS

Significant accounting standards

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

Basis of preparation

The annual financial statements as at 31 December 2022 include the statement of financial position, the statement of profit/(loss) for the year and other comprehensive income, the statement of changes in equity, the statement of cash flow and the corresponding explanatory notes.
The financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS include the ruling International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The annual financial statements have been prepared using the historical cost method (any exceptions to this method are explained below) and the going concern assumption. The Directors have in fact, determined that there are no significant uncertainties (as defined by paragraph 25 of IAS 1) on business continuity.
Among the options allowed by IAS 1, the Company elected to present its assets and liabilities as current or non-current and its income statement classifying costs by nature. The statement of cash flows is prepared using the indirect method.
The significant accounting standards adopted to prepare the annual financial statements applied to all the periods presented in the Company's financial statements are described below.
Unless specified otherwise, the accounting standards have been applied consistently to all the periods included in the annual financial statements. Please refer to note "Significant accounting standards" for more information and details regarding the application of the accounting standards.

Foreign currency transactions

Foreign currency transactions are recorded in Euro by applying to the amount in foreign currency the spot rate of exchange between the Euro and the foreign currency in effect as at the transaction date.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss as finance expense.

Revenues from contracts with customers

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

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

If a contract has more than one performance obligation, which is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to a customer, classification as a contract asset or liability takes place considering all the performance obligations as a whole.
Contract assets and liabilities with customers where the revenue is recognised over time are measured using the cost-to-cost method, whereby the contract costs, revenue and profit or loss is recognised in line with fulfilment of the performance obligation (progress towards completion). The percentage of costs incurred at the reporting date is compared to the total costs to satisfy the performance obligation.
Conversely, if the requirements for the recognition of revenues over time are not met, revenues are recognised at a point in time. In this case, progress towards completion is recognised under inventories.
Contract assets are recognised net of any accumulated impairment losses.
Estimates are periodically updated and any economic effects are accounted for in the year in which the updates are made. Onerous contracts are treated in accordance with the methods described further on in this note.

The consideration for contracts in a currency other than the functional currency is measured by translating the accrued consideration, calculated using the percentage of completion method, using the closing rates. The Company's exchange rate risk policy requires that all contracts that expose cash flows to changes in exchange rates are hedged on time.
See note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.
Revenues related to maintenance, sales of spare parts and charter services activities are managed through spot orders from the client and are recognised on a "point in time" basis.

Employee benefits

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

Share-based payment transactions
The Company implements share-based payment transactions settled with equity instruments, as part of the remuneration policy adopted for executive directors, general managers, managers with strategic responsibilities and employees with a permanent contract of employment and at least one office worker of Sanlorenzo S.p.A. and its directly or indirectly controlled subsidiaries.
The theoretical benefit attributed to the beneficiaries of the stock option plan is charged to the income statement, with a contra-entry in the shareholders' equity reserve, over the period during which the beneficiaries obtain the right to the incentives (vesting period).
The amount recognised as an expense is adjusted to reflect the actual number of incentives for which the conditions of continued service and non-market performance have vested, so that the final amount recognised as an expense is based on the number of incentives meeting those conditions as of the vesting date. In the case of incentives recognised in share-based payment whose conditions are not to be considered vesting, the fair value at the grant date of the share-based payment is measured to reflect those conditions. With reference to the non-vesting conditions, any differences between the assumptions on the allocation date and the actual ones will have no impact on the financial statements.
This benefit is quantified by measuring the fair value of the shares at the grant date using financial valuation techniques, including any market conditions in the valuation, and adjusting at each reporting date the number of rights expected to be granted.

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

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

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

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

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

Cost recognition

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

Financial income and expense

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

Income taxes

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

Current taxes

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

Deferred taxes

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

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

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

Trade receivables

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

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

Inventories

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

Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation/amortisation

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

The estimated useful lives for current and comparative periods are as follows:

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

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

Intangible assets and goodwill

Recognition and measurement

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

Subsequent costs

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

Amortisation

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

Development costs	8 years - 12.50%
Software	5 years - 20%
Mooring	Transaction duration
Other	Based on the duration of individual transactions

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

Cash and cash equivalents

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

Financial instruments

Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.

Financial assets: classification and subsequent valuation

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

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

The Company defines their classification in line with the business model within which the financial assets are held and the contractual cash flow characteristics of the financial asset.

Financial assets are not reclassified after their initial recognition unless the Company modifies the business model for the management of financial assets. In this case, all involved financial assets are reclassified on the first day of the year following the change made to the business model.

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This choice is made for each asset.

All financial assets not classified as valued at amortised cost or at FVOCI, as indicated above, are valued at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: assessment of the business model

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

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

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

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

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

Financial assets: subsequent valuation and profits and losses

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

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

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

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

Derecognition

Financial assets

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

Financial liabilities

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

Offsetting

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

Derivatives and hedge accounting

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

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.
The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

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

Share capital

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

Impairment losses

Non-derivative financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

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

The Company measures the loss allowance as equal to the lifetime expected credit losses, except for that set out below for the 12-month expected credit losses:

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

The loss allowance for trade receivables and contract assets is always measured considering their lifetime expected credit losses.

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

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

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

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

Impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a debt or an advance payment by the Company that it would have not otherwise been taken into consideration;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortised cost are deducted from the carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss of the year and is recognised in OCI.

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

Impaired non-financial assets

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

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

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

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

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

Provisions

A provision is recognised when, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation.
The discount rate used to calculate the present value of the liability reflects assessments of the time value of money and the risks specific to the liability. Changes in estimates are recognised in the income statement in the year the change takes place. The disclosure required by IAS 37 - Provisions, contingent assets and contingent liabilities is not provided for some disputes in order not to jeopardise the Company's position vis-à-vis these disputes or negotiations.
Risks for which a liability is solely possible are disclosed in the section of the notes on commitments and risks and no provision is made.
With respect to contract assets and liabilities, if the business plan is revised during the contract term and the contract becomes onerous, the portion of the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it is recognised in full in the period in which they are expected to be incurred and provided for in a "Provision for onerous contracts" under current provisions for risks and charges. The reversal of these provisions is recognised as absorption within "Other operating revenues".

Leases

Determining whether an arrangement contains a lease

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

Leased assets

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

Lease payments

Payments relating to operating leases are recognised as a cost on a straight-line basis over the lease term. The incentives granted to the lessee are recognised as an integral part of the total cost of the lease over the lease term.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. Interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating result

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

Fair value measurement

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

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

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

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

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

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

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

New accounting standards, amendments and interpretations

The following table summarises the interpretations and amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB, indicating those endorsed or not endorsed for adoption in the European Union at the date of approval of these Financial Statements, which have not been adopted early by the Company:

Reference Accounting Standard	Effective date
Amendments to IAS 1 "Disclosure of accounting policies"	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statements and IFRS practice statement 2"	1 January 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	1 January 2023
IFRS 17 "Insurance Contracts" and Amendments to IFRS 17 "Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	1 January 2023
Amendments to IFRS 16 "Leases: Lease Liability in sale and leaseback"	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants"	1 January 2024

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

The Board of Directors submits for approval the Annual financial statements as at 31 December 2022 and proposes that the Shareholders' Meeting approve:

a) the annual financial statements of Sanlorenzo S.p.A., which show a net profit for the year equal to €63,354,722;
b) a proposal to allocate the net profit for the year as follows:
    - to legal reserve for €79,339;
    - to the Shareholders as dividend in the amount of €0.66 for each of the shares in circulation on the ex-dividend date, excluding treasury shares held at that date;
    - to the extraordinary reserve, the residual profit.
c) to reduce the restriction on the extraordinary reserve to the maximum amount of €7,320,000, pursuant to Article 110, paragraph 8, of the Italian Law Decree no. 104 of 14 August 2020, converted with amendments by Italian Law no. 126 of 13 October 2020.

Ameglia, 14 March 2023

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

certification pursuant to article 154-bis

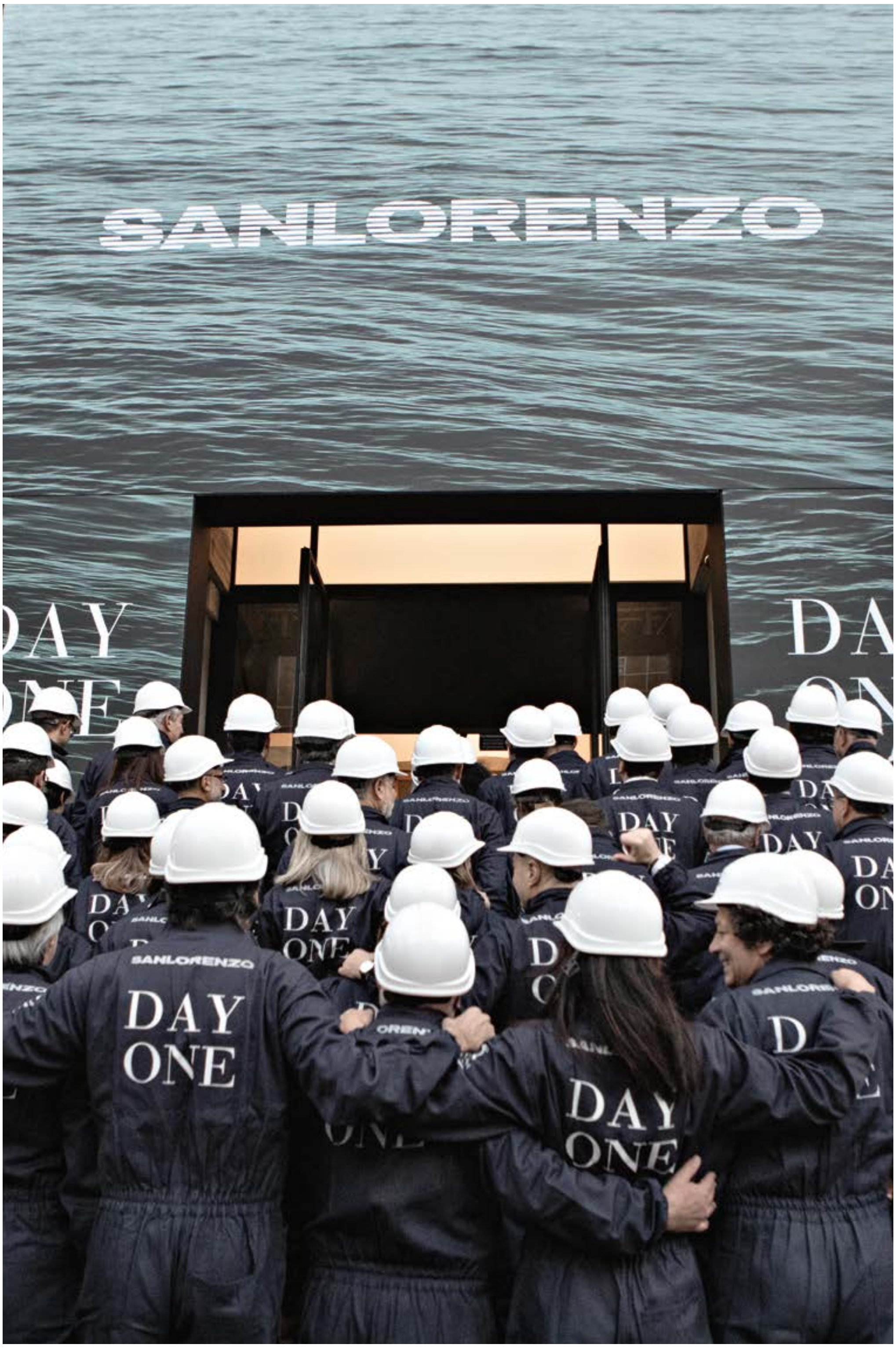
Certification pursuant to Article 154-bis of Italian Legislative Decree 24 February 1998 no. 58 (Consolidated Law on Finance) and Article 81-ter of Consob Regulation no. 11971 of 14 May 1998

1. The undersigned, Massimo Perotti, in his capacity as the Chairman and Chief Executive Officer of the Board of Directors and Attilio Bruzzese, in his capacity as the Manager charged with preparing the company's financial reports of Sanlorenzo S.p.A., confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in terms of the characteristics of the Company and
   - the actual application of the administrative and accounting procedures for the preparation of the annual financial statements for 2022.
2. From the application of the administrative and accounting procedures for the preparation of the annual financial statements as at 31 December 2022, no significant facts need to be reported.
3. It is hereby also stated that:
   3.1 the annual financial statements:
      a) have been prepared in compliance with the international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
      b) correspond to the accounting books and records;
      c) provide a true and fair view of the issuer's financial position, results and cash flows.
   3.2 The report on operations includes reliable analysis on the performance, result of operations and the business of the issuer and of all entities included in the consolidated financial statements as well as description of principal risks and uncertainties to which they are exposed.

Ameglia, 14 March 2023

Mr. Massimo Perotti
Chairman and Chief Executive Officer

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


SANLORENZO
DAY
ONE
DAY
ONE


Deep, 2022
Graphite and rubber cement on paper
50 x 38 inches


Deep Sky Dark Bright Black &
by Tony Lewis
For Sanlorenzo, Tony Lewis has conceived three new works at the intersection between semiotics, abstraction, and drawing. These works represent the artist's investigation of drawing as a means of communication. Lewis uses graphite pencil and paper as privileged mediums to trace and generate linguistic narratives reflecting on gestural expression.
Deep Sky Dark Bright Black & is composed of three separate works in graphite and rubber cement on paper.
The latter is a literal and conceptual foundation in the artist's work. Tony Lewis rubs, wrinkles, and disperses the graphite on the surfaces, allowing the powder to accumulate into an array of textures and patterns. He uses a dynamic shorthand gesture to mix chosen text fragments and words into a drawing, impressing mysterious codes and textured maps on the paper.
The gestural lines appear as abstract marks, while each word delineates a statement about race, power, and communication, often referencing historical facts or situations.
He creates a narrative that shifts constantly between history and autobiography, by often beginning his research by selecting popular cultural texts that he recontextualizes, extracting imperceptible excerpts and allowing new meanings to emerge. In dismantling language and undermining its authority Lewis exposes the inequities and inadequacy of existing linguistic and power structures.
Curated by Flash Art
Special thanks to MASSIMODECARLO

V

REPORT FROM THE INDEPENDENT AUDITING FIRM

Sanlorenzo S.p.A.

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

Consolidated financial statements at 31st December 2022

This independent auditor's report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

BDO

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Via Roma 5/1
16121 Genova

Independent auditor's Report
pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010 and article 10 of EU Regulation n. 537/2014

To the Shareholders of
Sanlorenzo S.p.A.

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sanlorenzo Group (the "Group"), which comprise the consolidated statement of financial position as at 31st December 2022, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of Sanlorenzo S.p.A. (the "Company") in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	Audit response
Contract assets and liabilities We refer to notes n. 22 "Contract assets and liabilities" The Sanlorenzo Group recorded in the consolidated financial statements as of 31st December 2022 assets for contract amounting to Euro 168.635 thousand (equal to 22,67% of total assets and Contract liabilities amounting to Euro 132.369 thousand (equal to 17,80% of total equity and liabilities). Assets for construction refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalized with the customer. They are recognized as assets net of the related contract liabilities when, based on a case by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognized as a contract liability The forecast of total costs requires a high level of management judgement and an error in this stage could lead to a wrong valuation of the construction contracts (and consequently of operating revenue) that could be significant. The correct measurement of the stage of completion of the construction contracts and of the possible related liabilities represents a key audit matter due to the magnitude of the amounts involved and due to the high level of management judgement.	Our main audit procedures performed in response to the key audit matter regarding contract assets and liabilities included the following: ▪ We performed an understanding and evaluation of the internal control system with reference to the construction contracts. ▪ We performed comparative analysis by comparing the budget of the full life costs with the one for sister vessels and with the budgets obtained in past years, in order to verify significant fluctuations. ▪ For each new construction contract we obtained and examined the contract (and their amendments and modifications agreed with the client, if any) and verified that the total revenues were in accordance with the contracts. ▪ We had discussions with the Project Managers and with the management control team in order to understand main fluctuations and evaluate the reasonableness of the budgets and their updates. ▪ We analyzed and verified the process of attribution of the costs incurred to the related construction contract and we checked the balance between general accounting and industrial accounting for a sample of. ▪ We performed substantive procedures in order to test the correct attribution of the costs to the related construction contract. ▪ We verified the percentage of completion computed by comparing the costs incurred at the reporting date with the estimated full life costs, for a sample of. ▪ We performed substantive procedures on the closing of the accounting for the constructions delivered during the financial year. ▪ We verified the completeness and accuracy of the disclosures in the notes.

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Key audit matter	Audit response
Recoverability of goodwill We refer to notes n.17 “Goodwill” and n. 19 “Impairment Test” The carrying amount of goodwill reported in the consolidated financial statements at 31st December 2022 is Euro 10.756 thousand (equal to the 1,45% on total assets) is relating to the deficit merger by incorporation, which took place in 2008, in Sanlorenzo S.p.A., of the ex-parent company Happy Life S.r.l together with its subsidiary FlyOpen S.p.A., and to the acquisition of the Equinoxe Group and of the company I.C.Y. S.r.l., which occurred during the year. For the purpose of the impairment test, a Cash Generating Unit (“CGU”) has been identified represented by the total operating assets of the Sanlorenzo Group as a whole. As it was not possible to measure the fair value of the assets being tested for impairment as at 31st December 2022, management estimated their recoverable amount considering value in use, calculated by discounting the 2023-2025 estimated operating cash flows obtained from the financial projections included in Piano 2023-2025. This item was considered significant for the audit given its magnitude as well as the subjectivity and complexity inherent to the evaluation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the strategic plan, the discount rates, discounting and future growth used and additional parameters characterized by subjectivity.	Our main audit procedures performed in response to the key audit matter regarding the recoverability of goodwill included the following: ▪ We understood and evaluated the methodology adopted by management to perform the impairment test on the Cash Generating Unit. ▪ We examined the projections included in the Strategic Plan 2023-2025 and we had discussions with management in order to understand and critically analyse the assumptions used by them. ▪ We verified the accuracy of the impairment test model used by management through an independent re-computation and by comparing the results obtained. ▪ We recomputed the discount rates used by management for the CGU and the growth rate with the support of experts from the BDO network. ▪ We performed sensitivity analysis in order to evaluate if changes in the discount and growth rates could lead to an impairment. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Responsibilities of the Directors and Those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree no. 38/05 and, within the terms prescribed by the law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company Sanlorenzo S.p.A. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercised professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We have communicated with Those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided those charged with governance with a statement that we have complied with ethical and independence requirements applicable in Italy, and we have communicated all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

From the matters communicated with Those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described those matters in our auditor's report.

BDO

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

The Shareholders of Sanlorenzo S.p.A., in the general meeting held on 23rd November 2019, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending 31st December 2019 to 31st December 2027.

We declare that we did not provide prohibited non-audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements of Sanlorenzo S.p.A. included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation no. 537/2014, submitted to Those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Sanlorenzo S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the consolidated financial statements, to be included in the Annual financial report.

We have performed the procedures required under Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements at December 31st, 2022 to the requirements of the Delegated Regulation.

In our opinion, the consolidated financial statements at December 31st, 2022 have been prepared in XHTML format and have been marked-up, in all material respects, in compliance to the requirements of Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sanlorenzo S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Sanlorenzo S.p.A. as at December 31st, 2022, including their consistency with the consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree no. 58/98, with the consolidated financial statements of Sanlorenzo Group as at December 31st, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the consolidated financial statements of Sanlorenzo Group as at December 31st, 2022 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph 2, (e), of Legislative Decree no. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree no. 254, of December 30th, 2016

The Directors of Sanlorenzo S.p.A. are responsible for the preparation of the consolidated non-financial statement pursuant to Legislative Decree no.254, of December 30th,2016. We have checked that the Directors had approved the consolidated non-financial statement.

According to article 3, paragraph 10, of Legislative Decree n.254, of December 30th,2016 we attested the compliance of the consolidated non-financial statement separately.

Genoa, 28 March 2023

BDO Italia S.p.A.

Paolo Maloberti
Partner

Sanlorenzo S.p.A.

Independent auditor’s report pursuant to article 14 of Legislative Decree n. 39, dated January 27th 2010 and article 10 of EU Regulation n. 537/2014

Financial statements at 31st December 2022

This independent auditor’s report has been translated into English solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

BDO

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Via Roma 5/1
16121 Genova

Independent auditor's Report

pursuant to article 14 of Legislative Decree n. 39, dated January 27th 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
Sanlorenzo S.p.A.

Report on the financial statements

Opinion

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

In our opinion the financial statements give a true and fair view of the financial position of the Company as at December 31st, 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

BDO Italia S.p.A. – Sede Legale: Viale Abruzzi, 94 – 20131 Milano – Capitale Sociale Euro 1.000.000 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Key audit matter	Audit response
Contract assets and liabilities We refer to note no.21 *Contract assets and liabilities.* Sanlorenzo S.p.A. recorded in its financial statements at 31st December 2022 assets for construction contracts amounting to Euro 156.178 thousand (equal to 22,52% on total assets) and liabilities for construction contracts amounting to Euro 142.643 thousand (equal to 20,57% on total liabilities and net equity). Assets for construction contracts refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalised with the customer. They are recognised as assets net of the related contract liabilities when, based on a case-by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognised as a contract liability. The forecast of total costs requires a high level of management judgement and an error in this stage could lead to a wrong valuation of the construction contracts (and consequently of operating revenue) that could be significant. The correct measurement of the stage of completion of the construction contracts and of the possible related liabilities represents a key audit matter due to the magnitude of the amounts involved and due to the high level of management judgement.	Our main audit procedures performed in response to the key audit matter regarding contract assets and liabilities included the following: ▪ We performed an understanding and evaluation of the internal control system with reference to the construction contracts. ▪ We performed comparative analysis by comparing the budget of the full life costs with the one for sister vessels and with the budgets obtained in past years, in order to verify significant fluctuations. ▪ For each new construction contract we obtained and examined the contract (and their amendments and modifications agreed with the client, if any) and verified that the total revenues were in accordance with the contracts. ▪ We had discussions with the Project Managers and with the management control team in order to understand main fluctuations and evaluate the reasonableness of the budgets and their updates. ▪ We analysed and verified the process of attribution of the costs incurred to the related construction contract and we checked the balance between general accounting and industrial accounting for a sample of. ▪ We performed substantive procedures in order to test the correct attribution of the costs to the related construction contract. ▪ We verified the percentage of completion computed by comparing the costs incurred at the reporting date with the estimated full life costs, for a sample of. ▪ We performed substantive procedures on the closing of the accounting for the constructions delivered during the financial year. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Key audit matter	Audit response
Recoverability of goodwill We refer to note no.16 "goodwill" and note no.18 "impairment test" The carrying amount of goodwill reported in the financial statements at 31st December 2022 is Euro 8.667 thousand (equal to the 1.25% on total assets) is relating to the deficit merger by incorporation, which took place in 2008, in Sanlorenzo S.p.A., of the ex-parent company Happy Life S.r.l together with its subsidiary FlyOpen S.p.A. For the purpose of the impairment test, a Cash Generating Unit ("CGU") has been identified represented by the total operating assets of the Sanlorenzo as a whole. As it was not possible to measure the fair value of the assets being tested for impairment as at 31st December 2022, management estimated their recoverable amount considering value in use, calculated by discounting the 2023-2025 estimated operating cash flows obtained from the financial projections included in Piano 2023-2025. This item was considered significant for the audit given its magnitude as well as the subjectivity and complexity inherent to the evaluation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the strategic plan, the discount rates, discounting and future growth used and additional parameters characterized by subjectivity.	Our main audit procedures performed in response to the key audit matter regarding the recoverability of goodwill included the following: ▪ We understood and evaluated the methodology adopted by management to perform the impairment test on the Cash Generating Unit. ▪ We examined the projections included in the Strategic Plan 2023-2025 and we had discussions with management in order to understand and critically analyse the assumptions used by them. ▪ We verified the accuracy of the impairment test model used by management through an independent re-computation and by comparing the results obtained. ▪ We recomputed the discount rates used by management for the CGU and the growth rate with the support of experts from the BDO network. ▪ We performed sensitivity analysis in order to evaluate if changes in the discount and growth rates could lead to an impairment. ▪ We verified the completeness and accuracy of the disclosures in the notes.

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

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement article 9 of Legislative Decree no. 38/05 and, within the terms provide by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has 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. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We have also provided those charged with governance with a statement that we have complied with ethical and independence requirements applicable in Italy, and we have communicated all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate relevant risks or the safeguards measures applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor's report.

Other information communicated pursuant to article 10 of Regulation (EU) 537/2014

The Shareholders of Sanlorenzo S.p.A., in the general meeting held on 23 November 2019, engaged us to perform the audits of the financial statements and consolidated financial statements for each of the years ending 31st December 2019 to 31st December 2027.

We declare that we did not provide prohibited non audit services, referred to article 5, paragraph 1, of Regulation (EU) 537/2014, and that we remained independent of the company in conducting the audit.

We confirm that the opinion on the financial statements included in this audit report is consistent with the content of the additional report prepared in accordance with article 11 of the EU Regulation no.537/2014, submitted to those charged with governance.

Reports on other legal and regulatory requirements

Opinion on the compliance to the requirements of Delegated Regulation (EU) 2019/815

The Directors of Sanlorenzo S.p.A. are responsible for the application of the requirements of Delegated Regulation (EU) 2019/815 of European Commission regarding the regulatory technical standards pertaining the electronic reporting format specifications (ESEF – European Single Electronic Format) (hereinafter the "Delegated Regulation") to the financial statements, to be included in the Annual financial report.

We have performed the procedures required under Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the financial statements at December 31st,2022 to the requirements of the Delegated Regulation.

In our opinion, the financial statements at December 31st, 2022 have been prepared in XHTML format in compliance to the requirements of Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, (e), of Legislative Decree n. 39/10 and of article 123-bis paragraph 4 of Legislative Decree n. 58/98.

The Directors of Sanlorenzo S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Sanlroenzo S.p.A. as at December 31st, 2022, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree no. 58/98, with the financial statements of Sanlorenzo S.p.A. as at December 31st, 2022 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Sanlorenzo S.p.A. as at December 31st, 2022 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, (e), of Legislative Decree no. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 28th March 2023

BDO Italia S.p.A.

Paolo Maloberti
Partner

VI

REPORT FROM THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting of SANLORENZO S.p.A. called to approve the Financial Statements as at 31 December 2022 pursuant to Article 153 of Italian Legislative Decree 58/1998

Dear Shareholders,

in compliance with the provisions of Article 153 of Italian Legislative Decree of 24 February 1998, no. 58 (the Italian Consolidated Law on Finance or "TUF"), Article 2429, paragraph 2, of the Italian Civil Code, the guidelines contained in Consob communication no. 1025564 of 6 April 2001 and subsequent amendments and supplements, the Corporate Governance Code and the Consob provisions on corporate controls, as well as taking into account the rules of conduct recommended by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (the Italian National Council of Chartered Accountants and Accounting Experts or "CNDCEC"), the Board of Statutory Auditors of Sanlorenzo S.p.A. (the "Company") provides You information in this Report on the monitoring activities carried out in 2022.

- **Summary of the Board of Statutory Auditors' activities**

The Board of Statutory Auditors, in compliance with Article 149 of the TUF and Article 2403 of the Italian Civil Code, organised its activities in order to monitor:

- observance of the law and the By-laws;
- respect for the principles of proper administration;
- the adequacy of the organisational structure;
- the adequacy of the internal control system;
- the reliability of the administrative-accounting system in correctly representing management events;
- the methods of practical application of the Code of Corporate Governance, which the Company declared its compliance with and, in particular, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, as well as the members of the undersigned Board of Statutory Auditors;
- the cohesiveness of the provisions issued to the Group companies for the purposes of fulfilling the communication obligations set forth by law (pursuant to Article 114, paragraph 2, of the TUF);

- transactions with related parties and intercompany transactions;
- the correct fulfilment of the obligations in relation to the market abuse regulations, as well as regarding corporate disclosure and protection of savings.

During the year ended 31 December 2022, the Board of Statutory Auditor held a total of thirteen (13) meetings, drafting minutes for them which detailed the control and supervisory activities carried out. The Board of Statutory Auditors also attended the meetings of the Board of Directors and the Committees set up within the Board of Directors, as well as the Shareholders' Meetings, for a total of 43 meetings relating to the activities of the board organized in any case and to a Shareholders' Meeting, in addition to the numerous informal meetings held with all the other governance bodies.

The Board of Statutory Auditors, that drafts this report, declares that all its members respect the regulatory provisions issued by Consob in relation to the maximum number of offices and, in this regard, indicated the relevant engagements fulfilled for this purpose, in the Company's Report on Corporate Governance and Ownership Structures, drafted in accordance with Article 123-bis of the TUF, made available on the Company's website. Finally, the Board of Statutory Auditors verified that the 2022 Annual Financial Report was drawn up in the single electronic communication format provided for by the European Commission's Delegated Regulation no. 2019/815 of 17 December 2018.

- **Significant events during the year**

Development of technological solutions to reduce the environmental impact of yachts

Following the exclusive agreement signed with Siemens Energy in 2021 for the development and integration of combined reformer/fuel cell modules for hotel facility supply system in yachts between 24 to 80 metres, during 2022 the Board of Statutory Auditors was able to take note of the development activities in question, which culminated in September 2022 with the announced decision to develop this system on the specific needs of the new 50Steel, which allowed the Company to state to the Market that the progress of the project proceeds optimally as planned. The Board of Statutory Auditors was informed of how, at the end of 2022, the testing phase of the first reformer/fuel cell modules has already begun. The most important economic, financial and asset transactions carried out by the Company are detailed in the Report on Operations; these include in particular the following:

Acquisition of Equinoxe

On 19 December 2022, the sale of Equinoxe shares was completed between the company, on the one hand, and Locent Sarl Srl., Corrado Di Majo and Alessandro Ussi, on the other, in respect of all the shares held by the latter in the share capital of Equinoxe. The transaction was made against the payment by the company of €2,100,000. Having regard to the decision taken by the Board of Directors on 10 March 2022 and the disclosure made in the meeting of 14 October 2022, and most recently in the meeting of 9 February 2023, the Board of Statutory Auditors took note that the agreements provide usual declarations and guarantees issued by sellers and specific compensation clauses.

Acquisition of a minority interest in Carpensalda Yacht Division S.r.l.

On 10 February 2022, Sanlorenzo S.p.A. acquired a 48% stake in the share capital of Carpensalda Yacht Division S.r.l. ("CYD") from MEC Carpensalda S.a.s., a strategic supplier active in the production of metal structures of superyachts, for a consideration of €3.8 million. With a previous transaction completed on 4 February 2022, MEC Carpensalda had transferred to CYD, a newly incorporated company, the business unit relating to carpentry and welding activities on metal structures for shipyards, including, among others, two production sites, one in the Navicelli Canal area in Pisa and one in Livorno. The remaining shares of the company are held 50% by MEC Carpensalda and 2% by a third party. Subsequently, on 25 February 2022, CYD acquired all of the shares of Sa.La. S.r.l. (formerly Sala S.n.c.), operating in the sector of the processing, cutting and moulding of metal sheets, with a production site in Viareggio (LU), for a consideration of €1.7 million. This strategic partnership in the metal carpentry supply chain will allow Sanlorenzo to secure the supply of key works, indirectly increasing the production capacity at the service of the Superyacht Division.

Acquisition of a minority interest in Duerre S.r.l.

On 29 April 2022, Sanlorenzo S.p.A. has acquired a 33% stake in Duerre S.r.l., a historic company active since the 1940s in the handcrafted production of very high-quality furniture intended in particular for superyachts, in the amount of €3.4 million. The acquisition agreement includes an earn-out clause formulated on the basis of the achievement of specific results in the three-year period 2021-2023. The earn-out may entail a decrease of the price by €200 thousand and an increase thereof up to a maximum amount of €600 thousand. According to the best estimates available at the date of this Report, the initial purchase price has not been adjusted.

Purchase of a business unit from Vismara Marine Concepts S.r.l.

On 9 June 2022, Sanlorenzo S.p.A. acquired a business unit from Vismara Marine Concepts S.r.l., mainly comprising an industrial building of about 1,400 square metres located in Viareggio near the Company's shipyards, as well as plant and equipment and a 0.51% stake in the company Polo Nautico Viareggio S.r.l., for a total amount of about €2.2 million. As a result of the aforementioned transaction and a further acquisition of a 2.17% stake from a third party concluded on 28 July 2022, Sanlorenzo's shareholding in Polo Nautico is currently 52.49%. These acquisitions made it possible to increase the production capacity serving the Yacht Division, consolidating Sanlorenzo's presence within the Polo Nautico Viareggio S.r.l. complex, a company that was originally set up in the legal form of a limited liability consortium, whose mission it has maintained, continuing to provide services mainly to its shareholders.

Acquisition of a majority interest in I.C.Y. S.r.l. by Bluegame

On 20 July 2022, Bluegame acquired, for the amount of €925 thousand, a 60% stake in I.C.Y. S.r.l., Bluegame's historical partner in the production of certain product lines. The remaining 40% of the shares are retained by the company's founder and current CEO. This transaction is aimed at increasing production capacity of Bluegame to support growth.

Acquisition of Mediterranea Real Estate S.r.l.

On 28 July 2022, Sanlorenzo acquired 100% of the shares of Mediterranea Real Estate S.r.l., owner of an industrial building of approximately 1,000 square metres adjacent to the Sanlorenzo shipyards within the Polo Nautico complex in Viareggio, plus offices and equipment. The transaction, concluded for €1.1 million, aims to increase the production capacity of the Superyacht Division in Viareggio, for the outfitting of the X-Space range.

Acquisition of Cantiere Tomei 1811 S.r.l.

On 28 July 2022, Sanlorenzo acquired 100% of the shares of Cantiere Tomei 1811 S.r.l., holder of a government concession to the land that hosts an industrial building of about 240 square metres and a yard used for storage activities of about 1,100 square metres in the Viareggio docks area, for €918 thousand.

Merger by incorporation of di PN VSY S.r.l. into Sanlorenzo S.p.A.

On 20 September 2022, the merger of the subsidiary PN VSY S.r.l. into Sanlorenzo S.p.a. was completed by deed signed by the Notary Ducci Teri.

Purchase of business unit "Siman"

On 29 September 2022, Sanlorenzo purchased a business unit "Siman" for a consideration of €2.8 million, comprising a building on concession area and equipment (for about € 1.425 million), building land (for about €1.3 million) and from agricultural lands (for about €75 thousand), to be used to increase the production capacity of the Superyacht business unit. In particular, these industrial infrastructures will be used mainly for the production of metal superstructures.

"Arbatax" operation

On 18 October 2022, the Court of Lanusei assigned to Polo Nautico Viareggio S.r.l., investee of Sanlorenzo S.p.A., a plot of land located in the municipality of Tortolì (NU) and the factory built thereon. Subsequently, Polo Nautico S.r.l. appointed Sanlorenzo Arbatax S.r.l., a wholly-owned subsidiary of Sanlorenzo S.p.A., as the third party, to which this industrial infrastructure should be transferred, to proceed with the acquisition, which will be realised in the first half of 2023. This infrastructure, over an area of about 37,000 square metres, of which 16,100 square metres are covered, will be used for the production of small/medium size composite semi-finished products, increasing the production capacity of the Yacht and Bluegame business units.

Health emergency linked to COVID-19

The Board of Statutory Auditors, in relation to the health emergency caused by the Covid-19 pandemic, has been constantly informed by the competent functions of the Company of the assessments carried out on the evolution of events and the regulatory framework, and actions taken to protect the health of workers. With regard to the above, there are no elements of attention to be submitted to the Shareholders of the Company.

Conflict between Russia and Ukraine

In consideration of the conflict between Russia and Ukraine, the Company confirms that the exposure to customers of Russian nationality is marginal and specifies that these are subjects not affected by international sanctions at an individual level (so-called "Specially Designated Nationals"). The Company considers the relative risk to be very limited, in view of the advances received from customers on yachts under construction and the fact that ownership of the yachts remains with the shipyard, as well as by virtue of the numerous requests from potential customers. The Group implements constant monitoring of the situation and updates on the international sanctions front, in line with the rigorous Know Your Customer procedures and Sanctions Compliance Program adopted by all Group companies. Moreover, the Group has no suppliers located in Russia and in the areas affected by the conflict.

- **Significant events after year-end**

Development of technological solutions to reduce the environmental impact of yachts

The basic design of methanol/water supply, power management, condensation and ventilation systems has just been completed in January 2023 and, at the moment, the Company has communicated to proceed in the preparation of the complete system components to be installed on board of the first 50Steel unit in the shipyard Sanlorenzo of La Spezia at the beginning of 2024. At the same time, the project team is engaged in the Risk Assessment of the entire energy generation system dedicated to hotellerie mode together with Lloyd's Register. Once completed, this innovative application will represent the first concrete step in the generation of carbon neutral power from new generation fuels (E-methanol and bio-methanol) for the entire marine industry. At the same time, Sanlorenzo reported on the evaluations regarding the development of a carbon neutral energy generation system, which foresees a substantial increase in the power developed by the reformer/fuel cell modules. This will make possible the navigation at low speed and wide range in carbon neutrality conditions, through the hybrid propulsion system, exceeding the current limits of the systems, that in zero emission mode (main engines and generators off) can only rely on the modest energy capacity of the batteries.

Letter of intent for the acquisition of Sea Energy S.r.l.

On 6 February 2023, Sanlorenzo S.p.A. signed a letter of intent to acquire 49% of Sea Energy S.r.l., a leading company in the design, construction and maintenance of electrical systems for yachts and superyachts. The transaction was closed for a consideration of €2.65 million, as disclosed on 28 March 2023.

Evaluation and approval of 2023-2025 Business Plan

In line with vision for 2030 of the Group, the new Business Plan, approved by the Board of Directors on 14 March 2023, was presented to the financial community on 15 March 2023. The 2023-2025 Business Plan is based on five main pillars: 1. sustainability and technology; 2. development of new models; 3. high value service offerings to customers; 4. direct global coverage strategy; 5. increase in production capacity and acquisitions of strategic supply chain players. These are the Pillars that in the management forecasts, approved by the Board and disclosed, will allow to maintain a solid and constant growth in revenues, acceleration in margins and new cash generation. In summary, the Group expects to see a CAGR greater than 9%, an increase in margins equal to or greater than 19.5%, net financial position between €185-205 million and cash generation of over €100 million.

- **Observance of the law and the By-laws**

Participation in the meetings of the Board of Directors and the relevant Committees, the information gathered and the controls carried out for the purpose, enabled the Board of Statutory Auditors to ascertain that Your Company operates in observance of the laws, the regulations and the Company By-laws.

In particular, the rules that govern the operation of the corporate bodies, the Company's activities as well as the recommendations of the institutional bodies are subject to constant monitoring by the officers in charge who, in possession of adequate professionalism for the different specialisations, correctly apply them by making use, if necessary, also of the opinions of expert professionals in the individual disciplines.

- **Respect for the principles of proper administration**

Company activities are constantly monitored and are targeted at preserving and safeguarding company assets as well as creating value. At the Board of Directors, the following are, among other things, carefully analysed and subject to in-depth debate:

- the operating performance;
- the periodic economic and financial results and the provisional data;
- the most significant transactions and any proposed investments, acquisitions and disinvestments, by evaluating their risks, by conducting in-depth analyses of the competitive scenarios, reference markets, cost effectiveness, the impact of the transactions on the Group, as well as their consistency and compatibility with the available resources;
- any related party transactions in line with the procedure adopted by the Company;
- the most significant transactions of the subsidiaries, the economic performance and the equity structure of said subsidiaries, taking into account the particular situations of the reference markets in which they operate.

The Board of Statutory Auditors is not aware of any transactions that are manifestly imprudent, hazardous or not in keeping with the board resolutions and the interests of the Company and the Shareholders.

The resolutions of the Board of Directors are executed by the top management and by the administrative, sales and productive structure based on compliance criteria.

During the year, when requested or even only appropriate, the Board of Statutory Auditors has expressed its orientation, and opinion, to the Board of Directors and the Committees set up within the Board of Directors.

As Committee for Internal Control and Statutory Audit, the Board of Statutory Auditors issued an opinion on the additional assignments of the Auditor in office, noting compliance with the relevant legislation.

From an operating perspective, the Board of Statutory Auditors gathered the information, requested the necessary material, encouraged meetings with the Manager charged with preparing the Company's financial reports, the heads of management control, with the Internal Audit Function and with the Board of Directors' Secretary.

It regularly engaged in dialogue with BDO Italia S.p.A., the company tasked with conducting the independent audit and the limited audit of the consolidated non-financial statement pursuant to Italian Legislative Decree 254/2016.

It constantly exchanged information with the Supervisory Body pursuant to Italian Legislative Decree 231/2001 on the effectiveness, observance and the update of the Organisation, Management and Control Model for the purposes of Italian Legislative Decree 231/2001.

Hence, it was able to acquire knowledge of the effectiveness and efficiency of the operating activities and of the reliability and continuity of the controls that guarantee the promptness of any corrective actions.

- **Adequacy of the organisational structure**

The Board of Statutory Auditors examined the organisational charts, the levels of responsibility, the delegations of power and flow of directives, evaluating the capacity of the organisation as a whole, although evolving during 2022, to exercise adequate strategic-operational direction and carry out the necessary controls on the technical, technological, sales and administrative-accounting operations of the entire Group. The examination of the proxies conferred allowed the Board of Statutory Auditors to mature, essentially in a prospective key thanks to the consulting support of Ambrosetti, a positive opinion on their clarity and rationality, even if in a transitional evolutionary phase during 2022.

In this sense, the resolutions adopted by the Board of Directors pursuant to the combined provisions of Articles 2380-bis, 2086, paragraph 2 (as amended by Article 375 of the Code of Crisis and Insolvency, Italian Legislative Decree of 12 January 2019, no. 14) and 2381, paragraph 3, and 2381, paragraph 5, of Italian Civil Code.

The Board of Statutory Auditors, also with the help of the Auditing Firm, has been able to ascertain that the responsible offices acquire with timeliness and reliability the useful and necessary information also from the subsidiaries and that respond with adequate and effective interventions. The procedures used for this purpose and the directives issued on economic and managerial control were sufficient to carry out these activities properly.

- **Adequacy of the internal control system**

The Report on Corporate Governance and Ownership Structures and the Annual Financial Report relating to 2022 describe the main characteristics of the internal control and risk management system. The internal control and risk management system ("SCIGR").

The Report on Corporate Governance and Ownership Structures and the Annual Financial Report relating to 2022 describe the main characteristics of the internal control and risk management system. The internal control and risk management system:

- acknowledged the periodic judgement of the adequacy of ICRMS issued, based on the prior opinion of the Control, Risks and Sustainability Committee, by the Board of Directors;
- examined the periodic report of the Control, Risks and Sustainability Committee issued on a six-monthly basis in support of the Board of Directors;
- took part in all meetings of the Control, Risks and Sustainability Committee, by also acquiring information on the initiatives that the Committee deemed appropriate to promote or request in relation to specific themes;
- verified the autonomy, independence and functionality of the Internal Auditor, whose responsibility was appropriately assigned during the year to a dedicated and trained internal staff member, as well as implemented and maintained adequate and constant dialogue with said staff member;
- examined the Audit Plan prepared by the Internal Auditor and approved by the Board of Directors, observed respect for the same and received information flows on the outcomes of the audits;
- acquired knowledge of the activities of the Supervisory Body established by the Company in compliance with the provisions contained in Italian Legislative Decree 231/2001 through specific disclosures and update meetings regarding the activity carried out by said party;
- obtained information from the managers of the company functions involved in the ICRMS;
- met and exchanged information with the Chairman and Chief Executive Officer, in its role as executive director appointed to supervise the ICRMS, with which it shared its

observations regarding the improvement to the controls architecture implemented by the Company.

In light of all of the foregoing, without prejudice to the areas of attention highlighted above and taking into account the evolutionary nature of the ICRMS, the analyses conducted and the information acquired, no elements that would lead the Board to believe that the Company's internal control and risk management system is, on the whole, inadequate, although to be implemented in a prospective manner, by virtue of the evolution and growth of the business and its complexity.

- **Reliability of the administrative system and the supervisory activities on the financial disclosure process**

The Board of Statutory Auditors verified the existence of adequate rules and procedures for the process of collection, formation and dissemination of financial information.

It also acknowledged that the CFO, also in his role as Manager charged with preparing the Company's financial reports, confirmed:

- the adequacy and suitability of the powers and resources conferred to him by the Board of Directors;
- that he had direct access to all the necessary information for the production of accounting data;
- that he participated in the internal information flows for accounting purposes and approved the associated company procedures;
- that the Company's Financial Statements as at 31 December 2022 are drawn up in accordance with IAS/IFRS standards issued by the International Accounting Standards Board (IASB).

The Independent Auditors did not report any observations in the periodic meetings held with the Board of Statutory Auditors as regards the administrative-accounting system, evaluated on the basis of its capacity to correctly represent company events, the prompt updating of corporate accounts, the proper keeping of the books, as well the timely fulfilment of tax and contribution obligations.

Therefore, the Board of Statutory Auditors expresses a judgement of substantial adequacy of the financial disclosure preparation process and does not have any observations to present to the Shareholders' Meeting.

It should be noted that pursuant to Article 4 paragraph 7 of Transparency Directive 2004/109/EC, as amended by Directive 2013/50/EC, that the Annual Financial Report has been drawn up in a single electronic reporting format, whose technical rules are drawn up by ESMA and contained in Regulation 2019/815.

In this regard, the Board of Statutory Auditors has had many discussions and has no comments to present.

- **Supervision of the non-financial disclosure process**

As set out in Article 3, paragraph 7 of Italian Legislative Decree 254/2016, the Board of Statutory Auditors, as part of the functions attributed to it by law, supervised the observance of the rules that govern the preparation and publication of the Consolidated Non-Financial Statement ("NFS"). In particular, the Board of Statutory Auditors monitored the adequacy of the organisational structures adopted by the Group based on the strategic objectives pursued in the socio-environmental domain and the adequacy of the processes and the structures that oversee, within the Group, the production, reporting, measurement and representation of the non-financial results and information.

To this end, the Board of Statutory Auditors examined the documentation provided by the Company and held various meetings with the management team responsible for the NFS, as well as representatives of the Independent Auditors, who are also responsible for issuing in the appropriate report, the certification of compliance set forth in Article 3, paragraph 10, of Italian Legislative Decree 254/2016.

The Board of Statutory Auditors also spoke with the working group, deepening the issues related to taxonomy, which were the subject of an approach developed on the basis of different regulatory provisions; the Board of Statutory Auditors in the light of the multiple comparisons, the clarifications received and the procedures set up, noted the substantial correctness of the procedures adopted.

The Board of Directors approved the NFS on 14 March 2023; it was prepared in compliance with

Italian Legislative Decree 254/2016 and by taking into consideration the criteria set out in the International <IR> Framework, issued by the International Integrated Reporting Council ("IIRC") and is subject to limited external examination by BDO Italia S.p.A., in line with the criteria laid down by the principle ISAE 3000 Revised - "International Standard on Assurance Engagement".

In drafting the NFS, the Company did not avail itself of the right to omit information concerning imminent developments or transactions being negotiated, pursuant to Article 3, paragraph 8, of Italian Legislative Decree 254/2016. The Board of Statutory Auditors also acknowledged that the Auditing Firm issued the report pursuant to Article 3, paragraph 10, of Italian Legislative Decree 254/2016 on 28 March 2023.

In said report, BDO certified that, based on the work performed, no elements came to its attention that lead to believe that the NFS has not been drafted, as regards all its significant aspects, in compliance with the requirements of Articles 3 and 4 of Italian Legislative Decree 254/2016 and the reporting standards used by the Company.

The Board of Statutory Auditors, in turn, observes that, as a result of the activities carried out, no elements of non-compliance of the NFS came to its attention with respect to the regulatory provisions that govern its preparation and publication.

Therefore, the Board of Statutory Auditors, for matters within its competence, issues a judgement of adequacy of the non-financial disclosure preparation process in line with the socio-environmental strategic objectives.

- **Monitoring of transactions with related parties – atypical and/or unusual transactions**

The latest version of the Procedure governing Related Party Transactions dates back to the update of 10 March 2022, in which the Board of Directors accepted the adjustment made by Consob Resolution no. 22144 of 22 December 2021, whose forecasts entered into force on 31 December 2021.

During the year, the Board of Statutory Auditors monitored the relevant observance by the Company. The 2022 Financial Statements and the Consolidated Financial Statements show the economic-equity effects of the transactions with related parties, as well as describe the relevant transactions.

In 2022, no transactions with related parties classified, pursuant to the Procedure governing Related Party Transactions, as of greater importance were presented for the attention of the relevant Committee, nor were any urgent transactions entered into with related parties.

The Board of Statutory Auditors deemed the information provided by the Board of Directors in the 2022 Financial Statements to be adequate regarding intercompany transactions and transactions with related parties.

The Board of Statutory Auditors considered adequate the information provided by the Board of Directors in the 2022 Annual Report on intra-group and related-party transactions, represented by:

- commercial relations: mainly distribution contracts that regulate the sales of products and commissions in the territories of competence, as well as terms related to commercial management;
- financial relations: mainly interest-bearing financing contracts between the subsidiaries and the Company;
- service relationships: mainly related to the provision of technical assistance services by the Company to its subsidiaries.

As far as it is aware, no atypical and/or unusual transactions were entered into in 2022, as defined by Consob communication DEM/6064293 of 28 July 2006.

- **Monitoring pursuant to Italian Legislative Decree 39/2010 – assessment of the independence of the Independent Auditors**

The Board of Statutory Auditors points out that, as part of the listing process, the Shareholders' Meeting held on 23 November 2019 assigned the independent audit engagement, pursuant to Article 17 of Italian Legislative Decree 39/2010, for the years 2019-2027, to BDO Italia S.p.A., whose fees are reported in detail in the Explanatory Notes, to which reference should be made.

In this context, the Board of Statutory Auditors supervised the statutory audit of the annual and consolidated accounts, the independence of the auditing firm and certifies that the latter in the course of 2022 has provided (for the Parent Company and the subsidiary Bluegame) the *Revision of* *the statement of expenditure incurred for investments in research and development, in technological innovation activities and in design and aesthetic innovation activities prepared for the purposes set out in Article 1, paragraphs 198-208, of Italian Law no. 160 of 27 December 2019 and of Italian Decree of 26 May 2020 issued by the Minister for Economic Development*, having noted that these are activities that do not affect the independence of the Auditor, which do not concern matters for which the auditor in office is not allowed to provide advice or services and which do not involve the risk of self-review or conflicts of interest.

In the context of the relations between the control body and the Auditor as provided by Article 150, paragraph 3, of the TUF, and in the light of the responsibilities of the Board of Statutory Auditors as Committee for internal control and statutory audit, the Board of Statutory Auditors held special meetings on a regular basis with the Auditing Firm, during which data and information relevant to the performance of their respective tasks have also been exchanged. The Board of Statutory Auditors held meetings with the Auditing Firm specifically to gather information on the preparation of the financial statements closed on 31 December 2022. In particular, the Board examined the Audit Plan made available and illustrated by BDO S.p.A. at a specific meeting on 14 December 2022 and, as Committee for internal control and statutory audit, the Board of Statutory Auditors monitored its subsequent stages of progress in subsequent meetings.

The Chairman and Chief Executive Officer and the Manager charged with preparing the Company's financial reports issued the certifications required by Article 154-bis of the TUF at the end of both the separate financial statements and the consolidated financial statements of the Company as at 31 December 2022.

On 28 March 2023, the Independent Auditors issued the reports pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010 respectively for the separate financial statements and for the consolidated financial statements as at 31 December 2022.

These reports show that the financial statements documents were drafted with clarity and provide a true and fair view of the financial position, economic result and cash flows for the year ended as at said date, in compliance with the reference standards and rules.

On the same date, the Independent Auditors also issued:

- the additional report required by Article 11 of EU Regulation 537/14, which did not highlight significant deficiencies in the internal control and risk management system in relation to the financial disclosure process, with the attached declaration pursuant to Article 6 of EU Regulation 537/2014, which did not bring to light any situations that may compromise its independence;

- the Report on the Consolidated Non-Financial Statement pursuant to Article 3, paragraph 10, of Italian Legislative Decree 254/2016 and Article 5 of Consob Regulations adopted by resolution no. 20267 of January 2018.

These declarations are sent by the Board of Statutory Auditors to the Board of Directors in an attachment without observations. The Board of Statutory Auditors monitored, for matters within its competence, the general approach of the separate financial statements and the consolidated financial statements and verified the consistency of the evaluation procedures applied with the international accounting standards; in particular, it should be noted that, in accordance with the indications of the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010, the consistency of the Impairment Test procedure with the provisions of IAS 36 was subject to a formal and autonomous approval by the Board of Directors, together with the Procedure for the additional assignments of the Auditor in office. The explanatory notes to the financial statements contain the information and the results of the subsequent evaluation process carried out, also with the help of a qualified external expert. As a result of the application of the procedure, based on a prior evaluation of the methodology used by the Control, Risks and Sustainability Committee, the Company did not write-downs.

- **Compliance with the Code of Corporate Governance, composition of the Board of Directors and remuneration**

The Company subscribes to the Code of Corporate Governance, issued by the Corporate Governance Committee promoted by Borsa Italiana S.p.A.

This Board of Statutory Auditors evaluated the methods of practical application of the Code in question, with reference to the application principles and criteria, with no observations to make in this regard.

The Board of Statutory Auditors also acknowledges the following:

- in the first few months of 2023, the Board of Directors carried out a process of self-assessment of the size, composition and functioning of the Board of Directors itself and its Committees; the process, concluded positively, was directed with the coordination of the Lead Independent Director;

- at the end of 2022 and in the first few months of 2023, in line with the recommendations of Regulation Q.1.1. of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies prepared by the CNDCEC, the Board of Statutory Auditors also conducted its self-assessment of the composition and functioning of the Board of Statutory Auditors itself, examining and discussing the relevant outcomes at an appropriate meeting;
- in the first few months of 2023, in line with the recommendations of Regulations Q.1.2 and Q.1.6 of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies prepared by the CNDCEC, the Board of Statutory Auditors has drawn up and produced its own final self-assessment report;
- the Board of Statutory Auditors verified the correct application of the criteria and the process implemented by the Board of Directors to evaluate the independence of directors qualified as "independent"; equally, it ascertained the existence of the requirements of its independence, transmitting the outcome of it to the Board of Directors as required by the Code of Corporate Governance; in particular, it should be noted that:
    - director Marco Viti, appointed by the Shareholders' Meeting on 28 April 2022, resigned from the position of executive director on 30 May 2022, serving as non-executive director until 26 August 2022;
    - during the month of March two (2) independent directors, respectively, the first, Mr. Pietro Gussalli Beretta, Lead Independent Director and chairman of the Nomination Committee, resigned from office to date from 27 April 2023, the second, Ms. Silvia Merlo, chairman of the Remuneration Committee, the easing of the independence requirement from 16 March 2023, while expressing the intention to remain in office as non-independent member and leaving this decision to the Board of Directors. Since these are two (2) chairs of Committees set up within the Board of Directors, the Board of Statutory

Auditors promptly submitted the recommendation that a Board of Directors, including an ad hoc meeting, be convened without delay, in order to proceed to carefully evaluate the composition and operation of the Committees set up within the Board of Directors, and also in perspective, given the already scheduled Shareholders' Meeting of 27 April 2023;

- in light of the existing best practices, the Board of Directors carried out its evaluations regarding the satisfaction of the independence requirement based on all the information at the Company's disposal, aimed at acquiring from Directors qualified as independent the precise and accurate information regarding any existence of commercial, financial or professional relations, as well freelance or employment relations or other equity or professional relations, that are relevant for the purposes of the Code of Corporate Governance and the TUF;
- the Board of Statutory Auditors does not have any observations regarding the consistency of the remuneration policy with the recommendations of the Code of Corporate Governance and, in particular, it will be focus on the achievement of ESG goals, clearly formulated and achievable, for determining the variable part of remuneration;
- the Board of Directors positively acknowledge that the Directors, both in the Committees held on 13 March 2023 and in the Board of Directors of 14 March 2023, took into account the Recommendations expressed in the Letter of 25 January 2023 addressed by the chair of the Corporate Governance Committee to the chairs of the Boards of Directors, amending the Committee Regulations accordingly, as well as the Regulations of the Board of Directors;
- the Board of Statutory Auditors acknowledges compliance of the regulatory provisions governing gender balance.

- **Provisions issued to the Companies of the Group**

The Board of Statutory Auditors ascertained that the Company's organizational functions issue the necessary provisions to the Group companies to provide the public with the information required by Article 114 of the TUF in observance of the conditions pursuant to

Article 36 of Consob Resolution 16191/2007 ("Markets Regulation").

- **Other information**

The Board of Statutory Auditors has acknowledged and acknowledges the following:

- during the year ended as at 31 December 2022, the Board of Statutory Auditors did not receive any statements pursuant to Article 2408 of the Italian Civil Code, nor any complaints from third parties;
- during the year ended as at 31 December 2022, the Board of Statutory Auditors provided, where necessary, the opinions and observations required by law; the Board of Statutory Auditors also expressed in all cases requested by the Board of Directors also in compliance with the provisions that, for certain decisions, require the prior consultation of the Board of Statutory Auditors;
- the Board of Statutory Auditors, during the monitoring activities carried out during the year, did not highlight any omissions, censurable events or serious irregularities and, therefore, does not believe it necessary to send reports and proposals to the Shareholders' Meeting pursuant to Article 153 of the TUF.

In reference to all the considerations formulated in this Report, the Board of Statutory Auditors does not identify any impediments to approval of Sanlorenzo S.p.A. Financial Statements for the year ended as at 31 December 2022, as presented to You by the Board of Directors, and expresses a favourable opinion on the proposed allocation of profit for the year.

* * *

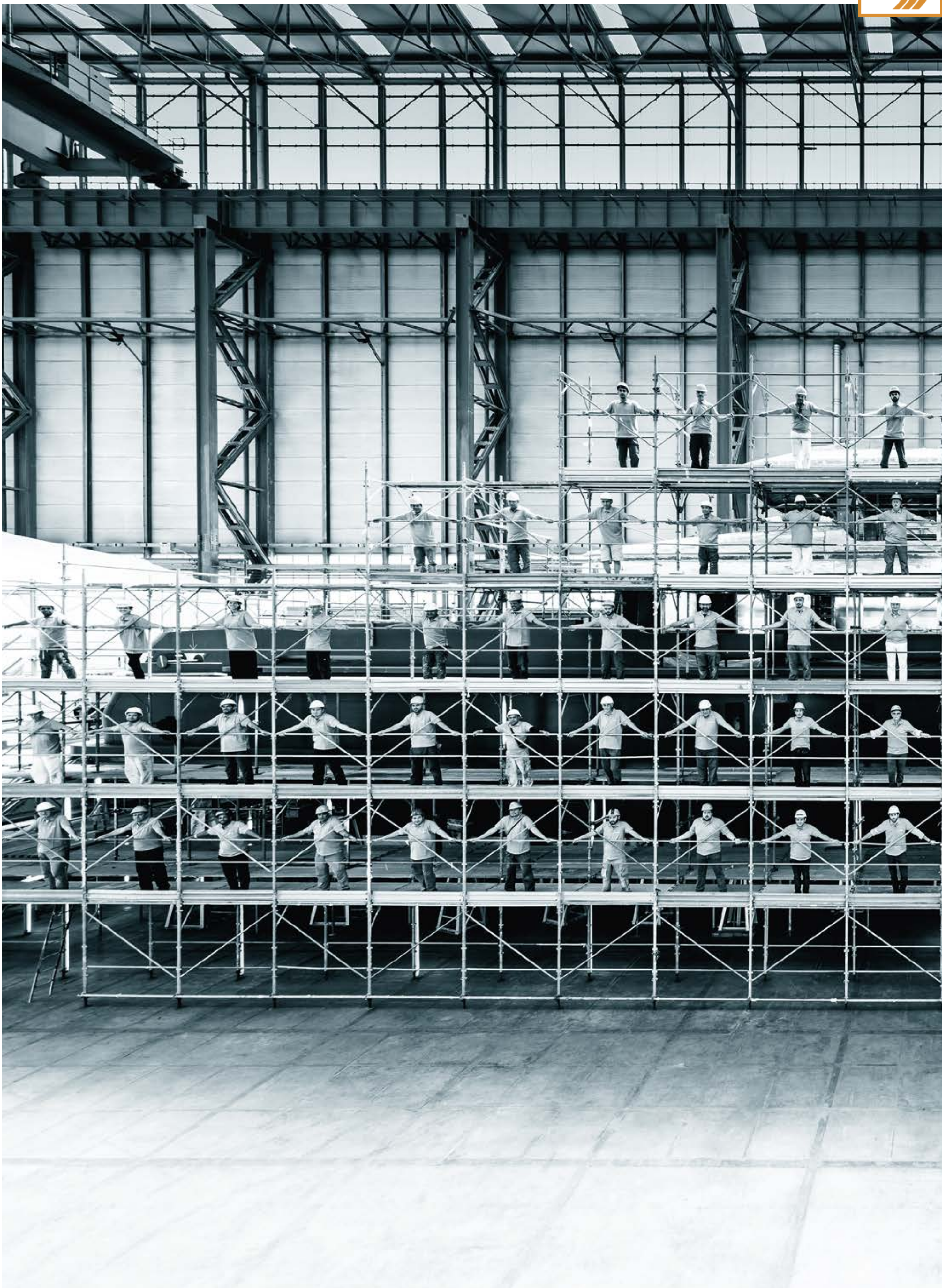
Ameglia, 30 March 2023

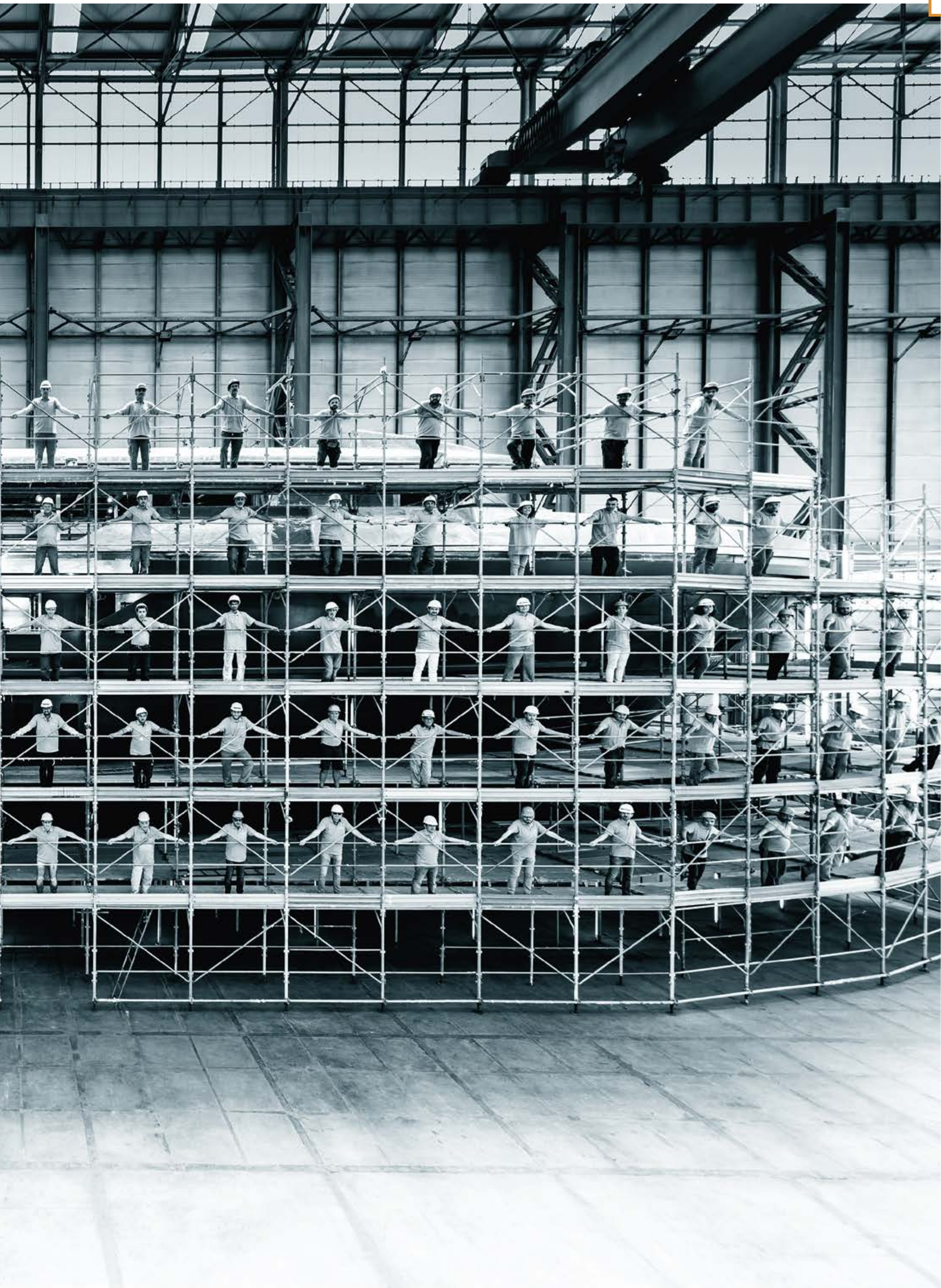
THE BOARD OF STATUTORY AUDITORS

Enrico Fossa

Andrea Caretti

Margherita Spaini





Sanlorenzo S.p.A.

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Tel. +39 0187 545700

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Legal information
Share Capital €34,784,089 fully paid-in[30]
Tax code and registration number in the Register of Companies
of Riviere di Liguria - Imperia La Spezia Savona 00142240464
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Contacts
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investor.relations@sanlorenzoyacht.com

[30] *On 21 April 2020, the Extraordinary Shareholders' Meeting approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of Euro 884,615, to be executed no later than 30 September 2029, through the issue of a maximum of 884,615 ordinary shares destined exclusively and irrevocably to service the 2020 Stock Option Plan, approved by the Ordinary Shareholders' Meeting on the same occasion. As at 31 December 2022, this capital increase had been partially subscribed for a total of 284,089 shares. Share capital was then further increased after the end of the year and as at 28 February 2023 consists of 34,810,125 ordinary shares.*

External Assurance
BDO

Project
Graph.x

Typesetting
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