FERRETTI S.p.A.

SEPARATE FINANCIAL STATEMENTS 2023

FINANCIAL STATEMENTS

To the Shareholders
of Ferretti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ferretti S.p.A. (the Company), set out on pages 9 to 105 which comprise the statement of financial position as of December 31, 2023, the income statement, the comprehensive income statement, the cash flows statement, the statement of changes in equity for the year then ended, and the notes to the financial statements, including relevant information on the accounting standards applied.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the A*uditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	Audit Response
Recognition of revenues for the construction of boats For the year ended December 31, 2023, the company reports significant amount of revenue for the construction of boats, whose obligations are fulfilled over time. These net revenues are recognized on a percentage of completion basis. The processes and methodologies for measuring such revenue are based on complex calculation algorithms and assumptions that for their nature require judgement on regards the estimate of costs planned at the budgeting stage, relating to contracts. More specifically, application of the cost-to-cost method requires the prior estimate of costs throughout the life of individual projects and their updating at each reporting date. Because of the mentioned complexity that characterizes this measurement, we identified this area as a key audit matter. Relevant disclosures are included in note 3 and note 6 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among the others: • the understanding and evaluation of the methodologies used by management; • the test of the process for the determination of the percentage of completion basis; • the understanding and evaluation of the estimation methodology used by the management through inquiries with the management; • the assessment of the reasonableness of the criteria used by the management for the determination of cost-to-cost method applied; • the assessment of the reasonableness of the significant assumption related to estimated costs to complete the individual projects; • the verification of the arithmetic correctness of the calculations performed by the management. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Key Audit Matter

Recoverability of intangible asset with an indefinite useful life

As of December 31, 2023, the company reports intangible assets of Euro 244 million, mostly for trademarks that have an indefinite useful life (Euro 221.8 million). These intangible assets have been allocated to company's Cash Generating Units ("**CGUs**"), corresponding to individual company's trademarks.

The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions sometimes complex, that due to their nature require judgement, particularly with reference to the forecasted future cash flows of each CGU, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows.

Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the trademarks, we identified this area as a key audit matter.

Relevant disclosures are included in note 3 and note 31 to the financial statements.

Audit Response

Our audit procedures in response to the key audit matter concerned, among others:

- assessment of the impairment process of intangible assets;
- testing the CGUs identification process and the allocation of assets and liabilities to the CGUs;
- an examination of the forecasted future cash flows for each CGU as well as the verification of the consistency of future cash flows related to each CGU with the business plans 2023–2027 and budget 2024 approved by the Company's board of directors respectively on March 8, 2023 and February 19, 2024;
- assessment of quality of forecasts taking into consideration the historical accuracy of the previous forecast;
- assessment of reasonableness of the long-term growth rates and discount rates.

Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the CGUs and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value.

Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2023 but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

EY S.p.A.

Gianluca Focaccia
Recognised PIE Auditor
Bologna

March 14, 2024

Income Statement

(in thousand Euro)	Note	December 31, 2023	December 31, 2022
Revenue		**1,123,483**	967,753
Commissions and other costs related to revenue		**(64,452)**	(36,055)
NET REVENUE	6	**1,059,030**	931,698
Change in inventories of work-in-process, semi-finished and finished goods	7	**106,797**	35,302
Cost capitalised	8	**30,559**	30,979
Other income	9	**19,678**	14,071
Raw materials and consumables used	10	**(593,191)**	(489,030)
Contractors costs	11	**(208,199)**	(162,922)
Costs for trade shows, events and advertising	12	**(21,115)**	(17,984)
Other service costs	13	**(95,484)**	(93,225)
Rentals and leases	14	**(11,754)**	(9,662)
Personnel costs	15	**(109,559)**	(112,902)
Other operating expenses	16	**(7,600)**	(7,081)
Provisions and impairment	17	**(36,404)**	(35,524)
Depreciation and amortisation	18	**(54,927)**	(46,721)
Share of loss of a joint venture and other equity investments	19	**(121)**	(44)
Financial income	20	**21,120**	11,268
Financial expenses	21	**(3,209)**	(4,288)
Foreign exchange gains and losses	22	**9,639**	13,212
PROFIT BEFORE TAX		**105,262**	57,146
Income tax	23	**(18,907)**	(4,752)
PROFIT FOR THE YEAR		**86,355**	52,395

Comprehensive Income Statement

(in thousand Euro)	*Note*	**December 31, 2023**	December 31, 2022
PROFIT FOR THE YEAR		**86,355**	52,395
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Profit on defined benefits plan	42	**(33)**	727
Income tax effect	42	**8**	(174)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(25)**	552
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**86,329**	52,947

Statement of Financial Position

(in thousand Euro)	*Note*	**December 31, 2023**	December 31, 2022
CURRENT ASSETS			
Cash and cash equivalents	24	**290,057**	293,322
Trade and other receivables	25	**266,794**	225,541
Contract assets	26	**189,493**	136,660
Inventories	27	**301,927**	176,590
Advances on inventories	27	**36,906**	38,430
Other current assets	28	**46,956**	116,752
Income tax recoverable	25	**1,419**	1,488
		1,133,553	988,783
NON-CURRENT ASSETS			
Investments in subsidiaries	29	**18,025**	17,575
Property, plant and equipment	30	**340,365**	268,279
Intangible assets	31	**244,043**	231,577
Other non-current assets	32	**47,718**	41,890
Deferred tax assets	33	**7,396**	17,299
		657,546	576,621
TOTAL ASSETS		**1,791,099**	1,565,404
CURRENT LIABILITIES			
Due to immediate holding company		**—**	—
Bank and other borrowings	34	**4,290**	5,866
Provisions	35	**63,938**	39,794
Trade and other payables	36	**599,273**	483,514
Contract liabilities	37	**188,541**	169,196
Income tax payable	38	**3,652**	1,537
		859,694	699,907

(in thousand Euro)	*Note*	**December 31, 2023**	December 31, 2022
NON-CURRENT LIABILITIES			
Due to immediate holding company		**—**	—
Bank and other borrowings	39	**13,616**	13,073
Provisions	35	**12,535**	13,049
Non-current employee benefits	40	**5,637**	6,045
Trade and other payables	36	**844**	984
		32,632	33,150
TOTAL LIABILITIES		**892,325**	733,057
SHARE CAPITAL AND RESERVES			
Share capital	41	**338,483**	338,483
Reserves	42	**560,291**	493,864
TOTAL EQUITY		**898,774**	832,347
TOTAL LIABILITIES AND EQUITY		**1,791,099**	1,565,404

Cash Flow Statement

(in thousand Euro)	**December 31, 2023**	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**105,262**	57,146
Depreciation and amortisation	**54,927**	46,721
Provisions	**23,223**	14,480
Financial income	**(21,120)**	(22,702)
Financial expenses	**3,329**	4,288
Share of loss of a joint venture	**0**	44
Impairment of trade receivables, net	**(97)**	(2,589)
Provision against inventories, net	**3,892**	(37)
Decrease/(increase) in inventories	**(127,705)**	(57,858)
Change in contract assets and contract liabilities	**(33,489)**	49,438
Decrease/(increase) in trade and other receivables	**(41,087)**	2,718
Increase/(decrease) in trade and other payables	**103,885**	90,524
Change in other operating liabilities and assets	**363**	(3,332)
Income tax paid	**(4,763)**	(2,309)
Cash flows from operating activities (A)	**66,621**	176,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	**(125,776)**	(73,451)
Disposal of property, plant and equipment and intangible assets	**1,317**	1,351
Change in investments and loans to subsidiaries	**0**	(76,135)
Interest received	**21,120**	10,888
Cash flows used in investing activities (B)	**(103,340)**	(137,347)

Cash Flow Statement

(in thousand Euro)	**December 31, 2023**	December 31, 2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**0**	234,753
Dividends paid	**(19,903)**	(6,707)
New bank and other borrowings		0
Repayment of bank and other borrowings	**0**	(85,670)
Merger of subsidiaries	**56,686**	0
Interest paid	**(3,329)**	(2,463)
Cash flows from/(used in) financing activities (C)	**33,454**	139,913
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**(3,265)**	179,099
Cash and cash equivalents at beginning of year (E)	**293,322**	114,223
CASH AND CASH EQUIVALENTS AT END OF YEAR (F=D+E)	**290,057**	293,322
Cash and cash equivalents as stated in the statements of financial position	**290,057**	293,322

Statement of Changes in Equity

(in thousands Euro)	Share capital	Share premium*	Legal reserve*	Other reserves*	Total equity
At January 1, 2022	250,735	281,293	7,110	23,649	562,787
Profit for the year	—	—	—	52,395	52,395
Other comprehensive income for the year:					
Actuarial gain on defined benefits plan, net of tax	—	—	—	552	552
Total comprehensive income for the year	—	—	—	52,947	52,947
Transfer to the legal reserve	—	—	1,177	(1,177)	0
Dividends	—	—	—	(6,707)	(6,707)
Issue of share capital (Notes 41–42)	87,748	143,748	—	—	231,496
Transaction costs (Note 42)	—	—	—	(8,176)	(8,176)
At December 31, 2022	338,483	425,041	8,287	60,536	832,347
Profit for the year	**—**	**—**	**—**	**86,355**	**86,355**
Other comprehensive income for the year:					
Actuarial gain on defined benefits plan, net of tax	**—**	**—**	**—**	**(25)**	**(25)**
Total comprehensive income for the year	**—**	**—**	**—**	**86,329**	**86,329**
Transfer to the legal reserve	**—**	**—**	**2,620**	**(2,620)**	**0**
Dividends	**—**	**—**	**—**	**(19,903)**	**(19,903)**
At December 31, 2023	**338,483**	**425,041**	**10,907**	**124,343**	**898,774**

* These reserve accounts comprise the reserves of €560,290 thousand (2022: €493,864 thousand) in the statement of financial position.

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

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

Climate change: impacts on financial reporting, accounts and financial statement disclosures.

While preparing the annual financial statements, taking into account the priorities endorsed by ESMA in October and in light of the findings of The Global Risks Report 2023 prepared by the World Economic Forum, where it is shown that climate change-related risks are those with a higher degree of severity, the Group's management has expressed the clear intention to provide for the predisposition of a formal process, defining methodologies, roles and responsibilities for the identification and assessment of risks and opportunities related to climate change, including the relative impacts on financial disclosures, accounts and financial statements.

Therefore, based on the results of this assessment, no significant influence was noted on the estimates and assessments in the preparation of the annual financial statements.

Conscious of the strategic importance of a responsible and sustainable business, the Group decided a while ago to communicate information on environmental, social and governance factors to its stakeholders, with a particular focus on the production process and product design based on market expectations. In this regard, the Group acknowledges the fundamental role of a stable and long-term collaboration with all stakeholders, in which a core element is a shared commitment to an increasingly sustainable business.

3. ACCOUNTING POLICIES

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

Recognition of revenue from contracts assets

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

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

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

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

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

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

— the contract has commercial substance;

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Recognition of revenue from contracts assets (Continued)

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

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

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

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

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

Commissions and other costs related to revenue

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

Government Grants

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Government Grants (Continued)

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

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

Interest Income and Expense

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

Income Taxes

Income Taxes comprise current tax expenses and deferred tax expenses.

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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

The Italian company Zago S.p.A. has opted for group taxation pursuant to Articles 117 et seq. of TUIR Consolidated Law on Income Tax (Law No. 917 of 22 December 1986).

The Italian government has implemented Pillar Two regulations effective January 1, 2024 (as provided by Legislative Decree No. 209 of December 28, 2023, hereinafter "**Italian Decree on Pillar Two**"). According to the Italian Decree on Pillar Two, Ferretti S.p.A. qualifies as a Partially-Owned Parent Entity ("**POPE**" or "**Partially-Owned Parent Entity**") because more than 20 percent of its profit rights are held by entities outside the group perimeter.

Shandong Heavy Industry, located in China, appears to be the parent company ("**Ultimate Parent Entity**" or "**UPE**") that fully consolidates (i.e., line-by-line) its subsidiaries, including Ferretti S.p.A. Considering that Pillar Two regulations are not yet effective as of the reporting date, there are no current tax liabilities for the year ending December 31, 2023.

In light of the Group's structure above, the preliminary calculation of the "Transitional CbCR Safe harbor" ("**TSH**") tests has been carried out by UPE and is still being finalized.

Indeed, taking into account the complexity of the legislation in question and the uncertainty in its application, the quantitative impact cannot be reasonably estimated at present. The Group expects to complete the assessment in the first half of 2024.

The Group has applied the temporary mandatory exemption required by the amendment to IAS 12.

Cash and Cash Equivalents

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

Trade and other receivables and contract assets

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables and contract assets (Continued)

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

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 24 and Note 25 to the financial statements, respectively.

Inventories

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

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

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

Financial Instruments: recognition and measurement

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets

- ***Initial recognition and measurement***

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

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

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

- ***Subsequent measurement***

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

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

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

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

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial Assets (Continued)

- ***Derecognition***

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

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

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

Financial liabilities

- ***Initial recognition and measurement***

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

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

- ***Subsequent measurement***

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

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

  (b) Loans and borrowings

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

- ***Derecognition***

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

Property, Plant, Machinery and Equipment

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment (Continued)

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

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

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

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 — Leases

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

Rights-of-use assets

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

Lease liabilities

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

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Intangible Assets Generated Internally — Research and Development Costs

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

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

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

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

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

Other Intangible Assets

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Other Intangible Assets (Continued)

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

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

— its expected long term profitability;

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

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

— its age.

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

Impairment of Assets

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

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

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

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Equity investments

Associated companies

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

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Post-employment Employee Benefits

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

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

3. ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Use of estimates and assumptions

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

Impairment of non-financial assets

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

Deferred taxes

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

3. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and assumptions (Continued)

Provisions

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

Revenue from contracts with customers for contract assets

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

Changes in accounting policies and disclosure

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

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

IFRS 17 Insurance Contracts

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

— A specific adaptation for contracts with direct participation features (the variable fee approach)

— A simplified approach (the premium allocation approach) mainly for short-duration contracts.

3. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

IFRS 17 Insurance Contracts (Continued)

The amendments had no impact on the Separate's separate financial statements.

Definition of Accounting Estimates — Amendments to IAS 8

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

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

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

The amendments had no impact on the Separate's separate financial statements.

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

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

International Tax Reform — Pillar Two Model Rules — Amendments to IAS 12

Following the publication in the Official Journal of Commission Regulation (EU) 2023/2468 of November 8, 2023, the following amendments to accounting standard IAS 12 apply:

a. the temporary mandatory exception to the recognition of deferred tax assets and liabilities related to the application of the provisions of Pillar Two; and

b. the disclosure requirement with reference to the estimation of the Group's exposure, if any, to Pillar Two taxes, starting with the 2023 annual financial statements.

3. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

Standards issued but not yet effective

The following new standards and amendments were issued by the IASB.

We will comply with the relevant guidance no later than their respective effective dates:

- In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1), which affects the requirements in IAS 1 for the presentation of liabilities, including clarifying one of the criteria for classifying a liability as non-current. In October 2022, the IASB issued an amendment to further clarify that covenants of loan arrangements, which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier adoption permitted. We do not expect a material impact on our Financial Statements or disclosures upon adoption of the amendment.

- In September 2022, the IASB issued a narrow-scope amendment to IFRS 16 — Leases, which adds to the requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. We are currently evaluating the impact of adoption.

- In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, addressing the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements. The disclosure requirements in the amendments enhance the current requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. We are currently evaluating the impact of adoption.

- In August 2023, the IASB issued amendments to IAS 21 — The Effects of Changes in Foreign Exchange Rates that will require companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier adoption permitted. We are currently evaluating the impact of adoption.

4. ACCOUNTING STATEMENTS

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

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

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

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

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Financial assets

	December 31, 2023	December 31, 2022
Derivatives not designated as hedging instruments		—
Derivatives designated as hedging instruments	**—**	—
Financial assets at fair value through profit or loss:	**—**	—
Life insurance with "Bipiemme Vita S.p.A.",	**—**	—
Life insurance with "CNP Vita Assicurazione S.p.A."	**—**	4,900
Equity instruments designated at fair value through OCI	**—**	38,008
Debt instruments at fair value through OCI	**—**	—
Total financial assets at fair value	**—**	42,908
Debt instruments at amortised cost:		
Trade receivables	**229,772**	189,319
Financial assets included in other receivables	**46,956**	73,844
Other current assets	**1,499**	2,456
Other non-current assets	**43,723**	39,449
Total financial assets*	**321,950**	347,976

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets (Continued)

During the year ended December 31, 2023, the Company has signed time deposit accounts agreements with primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months as follows:

Fixed Interest Period	Bank	Currency	Amount	Rate %	Expire Date
Three months	China Construction Bank (Europe) S.A.	Euro	30.000	4,08%	19/01/2024
One month	Barclays Bank Ireland PLC	Euro	12.000	3,76%	22/01/2024
One month	Unicredit SpA	Euro	10.000	3,85%	22/01/2024
One month	Credit Agricole CIB Sa	Euro	30.000	4,03%	26/01/2024
One month	Unicredit SpA	Euro	10.000	3,85%	29/01/2024
Three months	Credit Agricole CIB Sa	Euro	20.000	3,98%	28/02/2024
Three months	BNL S.p.A.-BNP P Group	Euro	30.000	3,98%	04/03/2024
Interests			464		
"Time deposit accounts " under "Other Current Assets"			142.464		

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions; the currency of the cash and cash equivalents were mainly denominated in Euro. As at December 31, 2023, there were not in place any time deposits accounts with a maturity of more than three months that should classified as current financial assets as happened as at December 31, 2022.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities

	December 31, 2023	December 31, 2022
Interest-bearing loans and borrowings		
Bank and other borrowings	—	—
Lease liabilities	**17,667**	17,102
Other	**239**	1,837
Total Interest-bearing loans and borrowings	**17,906**	18,939
Other financial liabilities		
Derivatives not designated as hedging instruments	—	—
Derivatives designated as hedging instruments	—	—
Financial liabilities at fair value through profit or loss	—	—
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings	—	—
Trade and other payables	**424,896**	368,744
Total other financial liabilities	**442,802**	387,683

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement

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

	December 31, 2023		December 31, 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial Assets				
Life insurance with *"Bipiemme Vita S.p.A."*	—	—	4,900	4,900
Life insurance with *"CNP Vita Assicurazioni S.p.A."*	—	—	38,008	38,008
Other non-current assets	**43,723**	**43,723**	39,449	39,449
Total Financial Assets	**43,723**	**43,723**	82,357	82,357
Bank and other borrowings	—	—	—	—
Lease liabilities	**17,667**	**17,667**	17,102	17,102
Other	**239**	**239**	1,837	1,837
Total Financial Liabilities	**17,906**	**17,906**	18,939	18,939

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

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

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

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

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

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

	31/12/2023				31/12/2022			
Financial statement line item	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Other current assets							42,908	42,908
Other non-current assets		**43,723**		**43,723**		39,449		39,449
Banks and other borrowings				**—**		—		—
Lease liabilities		**17,667**		**17,667**		17,102		17,102
Other liabilities		**239**		**239**		1,837		1,837

Liquidity Risk

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

The table below, which provides a quantitative analysis of the liquidity risk, shows a breakdown of future financial flows based on the financial liabilities outstanding at December 31, 2023 and at the end of the previous fiscal year, with a breakdown of the Company's financial payables by contractually stipulated due dates:

		Future financial flows					
	Balance at December 31, 2023	**0 to 3 months**	**4 to 9 months**	**10 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total financial flows**
Bank and other borrowings (excluding lease liabilities)	**(239)**	**(239)**	**0**	**0**	**0**	**0**	**(239)**
Lease Liabilities	**(17,667)**	**(1,270)**	**(2,497)**	**(1,223)**	**(10,140)**	**(5,373)**	**(20,502)**
Trade and other payables	**(424,896)**	**(380,913)**	**(42,481)**	**(1,503)**	**0**	**0**	**(424,896)**
Total	**(442,802)**	**(382,421)**	**(44,977)**	**(2,726)**	**(10,140)**	**(5,373)**	**(445,637)**

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk

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

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

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

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

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

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

To mitigate such risk, in 2021 the Company used cash flow hedging financial instruments through simple derivatives, such as currency forwards in place for expected future cash flows. During 2023 no cash flow hedging was done in view of the exchange rate trend. In any case, as of December 31, 2023 and 2022, there were no currency forwards in place.

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

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

(in thousand Euro)

Change in 6M Euribor		**At December 31, 2023**		At December 31, 2022	
(+)	(-)	**(+)**	**(-)**	(+)	(-)
+50 BP	-50 BP	**89**	**-89**	87	-87
+100 BP	-100 BP	**179**	**-179**	174	-174
+200 BP	-200 BP	**358**	**-358**	347	-347
+300 BP	-300 BP	**537**	**-537**	521	-521

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

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

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

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

The table below reports residual amounts — i.e., already net of any write-downs — which even if expired at the reporting date (December 31, 2023) are considered fully recoverable:

			Past due			
	Balance at December 31, 2023	**Not due**	**30 days**	**30-60**	**60-90**	**Beyond**
Cash and cash equivalents	**290,057**	**290,057**	—	—	—	—
Trade receivables *	**229,772**	**5,074**	**28,779**	**36,833**	**35,512**	**123,574**
Other current assets	**46,956**	**46,956**	—	—	—	—
Financial assets included in other receivables	**1,499**	**1,499**	—	—	—	—
Financial assets included in other non-current assets	**43,723**	**43,723**	—	—	—	—
Total at December 31, 2023	**612,007**	**387,309**	**28,779**	**36,833**	**35,512**	**123,574**

(*) Net of the allowance for doubtful accounts of €2,904 thousand.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

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

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

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

The change in the allowance for doubtful accounts for the year ended December 31, 2023 is shown in Note 25.

The table below reports the amount of trade receivables — i.e., gross of any write-downs — which even if expired at the reporting date (December 31, 2023) are considered fully recoverable:

	Balance at December 31, 2023	**Not due**	**Past due** **30 days**	**30-60**	**60-90**	**Beyond**
%	**1%**	**0%**	**0%**	**0%**	**0%**	**2%**
Trade receivables	**232,676**	**5,082**	**28,779**	**36,838**	**35,533**	**126,444**
Provision for doubtful accounts	**2,904**	**8**	**—**	**6**	**21**	**2,870**
Total at December 31, 2023	**229,772**	**5,074**	**28,779**	**36,833**	**35,512**	**123,574**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

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

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

CAPITAL MANAGEMENT

The goals of managing the Company's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 19–22), depreciation and amortisation (Note 18), of €132,759 thousand for the year ended December 31, 2023 (2022: €83,719 thousand), in addition to maintenance of sound capital ratios in support of its business and maximising value for shareholders.

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

The Company is not subject to externally imposed capital requirements.

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

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the Income Statement for the fiscal year ended December 31, 2023, compared with those in the Income Statement for the fiscal year ended December 31, 2022.

6. NET REVENUE

The following table provides the breakdown of the item Net Revenue for the year ended December 31, 2023, compared with the same item for the year ended December 31, 2022:

	31/12/2023	31/12/2022
Total revenue from contracts with customers	**1,123,483**	967,753
Commissions and other costs related to revenue	**(64,452)**	(36,055)
Total net revenue	**1,059,030**	931,698

The table below shows the breakdown of Net Revenue by production type[1]:

	31/12/2023	31/12/2022
Composite yachts	**472,314**	384,752
Made-to-measure yachts	**430,240**	425,322
Super yachts	**117,593**	95,443
Other businesses	**27,163**	16,928
Total net revenue without pre-owned	**1,047,310**	922,445
Pre-Owned	**11,720**	9,254
Total net revenue	**1,059,030**	931,698

[1] The Ferretti Yacht 1000 model has been reclassified in the Made-to-measure yachts differently from the previous year's financial statements where it was classified as Composite Yacht
The geographical breakdown, differently from the previous year's financial statements refers to the dealer's area of exclusivity or by the customer's nationality

6. NET REVENUE (CONTINUED)

Revenue arising from other businesses is broken down below.

	31/12/2023	31/12/2022
FSD	**3,696**	2,945
Provision of services and sales of replacement parts, merchandise and other goods	**8,787**	7,484
Wally sailboats	**14,680**	6,500
Total other businesses	**27,163**	16,928

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

— Sale of yachts to order;

— Sale of used boats.

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

The payment terms are agreed with the customers on a case by case basis to match cash requirements for the production. Advance payments are agreed with each customer on the basis of the time needed to construct the boats and are paid before the completion of the construction. These contracts do not include obligations for returns, refunds and other similar obligations, however the vessels are covered by a warranty which is included in a range between 12 and 24 months.

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

"Provision of services and sales of replacement parts, merchandise and other goods" partly refer to the refit activity that the Company carried out, and partly regard the sale of replacement parts and other assistance services rendered in Italy and worldwide on boats previously sold. In addition, in 2023 as well the Company continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

6. NET REVENUE (CONTINUED)

The breakdown of Net Revenue by geographical area[2] was as follows:

	31/12/2023	31/12/2022
Europe	**460,116**	452,199
Mea	**212,316**	87,248
Apac	**95,998**	69,314
America	**278,880**	313,684
Total Net Revenue without Pre-owned	**1,047,310**	922,445
Pre-Owned	**11,720**	9,254
Total Net Revenue	**1,059,030**	931,698

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

	31/12/2023	31/12/2022
At a point in time	**39,785**	28,782
Over time	**1,019,246**	902,917
Total net revenue	**1,059,030**	931,698

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

	31/12/2023	31/12/2022
Revenue from contract liabilities	**148,355**	116,623

2 The geographical breakdown, differently from the previous year's financial statements refers to the dealer's area of exclusivity or by the customer's nationality

6. NET REVENUE (CONTINUED)

The following table shows the amount of transaction price for existing contracts outstanding at December 31, 2023 which will be converted into revenue from contracts with customers within one year or after one year.

	31/12/2023	31/12/2022
Within one year	**563,651**	469,063
After one year	**292,258**	279,350
	855,909	748,413

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

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

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

8. COST CAPITALISED

This item, amounting to €30,559 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead and miscellaneous costs and expenses that were capitalised under the item "Models and moulds". These costs were incurred primarily for the internal production of models and moulds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

9. OTHER INCOME

	31/12/2023	31/12/2022
Intragroup rebilling of miscellaneous costs	**3,700**	2,028
Discounts from suppliers	**3,108**	2,540
Cost over-accruals	**2,881**	2,612
Damage settlements	**2,002**	182
Rebilling of miscellaneous costs to customers and dealers	**1,080**	844
Rental income	**237**	201
Rebilling of centralized services	**213**	245
Gains on sales of assets	**69**	42
Other	**6,390**	5,376
Total other income	**19,678**	14,071

The item "Intracompany rebilling of miscellaneous costs" includes various kinds of specific rebillings to subsidiaries and holding company, for costs incurred on their behalf. These are primarily refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by Ferretti International Holding S.p.A And personnel costs for Ferretti S.p.A. employees seconded to other Group companies, chargebacks for utilities and other costs.

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

The item "Cost over-accruals" mainly refers to differences on cost forecasts recorded in the previous years for the supplies of services and raw materials, whose final account proved to be lower.

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

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

The item "Other" includes approximately €2,692 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

10. RAW MATERIALS AND CONSUMABLES USED

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

11. CONTRACTORS COSTS

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

12. COSTS FOR TRADE SHOWS, EVENTS AND ADVERTISING

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

13. OTHER SERVICE COSTS

	31/12/2023	31/12/2022
Transportation and customs clearing costs	**21,497**	17,508
Technical consulting	**13,611**	14,456
Tax, legal and administrative consulting services	**8,958**	9,518
Utilities	**6,760**	7,440
Entertainment expenses	**6,266**	4,310
Travel and per diem expenses	**5,129**	3,317
Fees paid to members of corporate governance bodies	**5,060**	7,725
Maintenance	**4,756**	4,229
Insurance	**4,533**	4,258
Recruiting and training costs	**2,949**	2,623
Costs of centralized services	**302**	188
Other	**15,664**	17,655
Total other service costs	**95,484**	93,225

The item "Technical consulting" amounting to €13,611 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

13. OTHER SERVICE COSTS (CONTINUED)

The item "Tax, legal and administrative consulting services" mainly included €3,244 thousand for legal advice and notaries' fees and €2,257 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €459 thousand referred to IT consulting.

In the fiscal year ended December 31, 2023, "Fees paid to members of corporate governance bodies" included €4,858 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, including the Management Incentive Plan, as well as €119 thousand in fees paid to Statutory Auditors and €83 thousand for the Supervisory Body.

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

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

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

14. RENTALS AND LEASES

The Company recognised the right-of-use assets and the lease liabilities, excluding short-term leases and leases related to low-value assets.

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

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

	31/12/2023	31/12/2022
Short-term rentals and leases	**1,843**	1,368
Rentals and leases for low-value assets	**2,267**	2,091
Royalties	**7,644**	6,203
Total rentals and leases	**11,754**	9,662

15. PERSONNEL COSTS

	31/12/2023	31/12/2022
Wages and salaries	77,441	81,425
Social security contributions	27,132	26,302
Non-current employee benefits and other provisions	4,987	5,174
Total personnel costs	109,559	112,902

The five highest-paid employees during the years ended December 31, 2023 and 2022 include a director, whose details are given in Note 45, and four employees, who are not directors and whose personnel costs are as follows:

	31/12/2023	31/12/2022
Wages and salaries	6,583	11,326
Social security contributions	514	375
Non-current employee benefits and other provisions	70	99
Total personnel costs	7,167	11,800

The number of highest-paid non-director employees whose remuneration fell into the following ranges was as follows (for the year 2022 including the special cash bonus paid under the Management Incentive Plan):

	31/12/2023	31/12/2022
HK$2,500,001 – HK$3,000,000	—	—
HK$3,500,001 – HK$4,000,000	—	—
HK$5,500,001 – HK$15,500,000	4	4
Total number of employees	4	4

16. OTHER OPERATING EXPENSES

	31/12/2023	31/12/2022
Cost under-accruals	**2,381**	1,148
Taxes and fees other than income taxes	**1,260**	1,126
Charity initiatives	**1,161**	357
Memberships in trade associations	**692**	657
Settlement agreements	**638**	539
Advertising and promotional material	**590**	582
Re-billable costs	**305**	508
Losses on asset sales	**37**	98
Reward vouchers and other benefits for employees	**28**	1,134
Sundry operating costs	**507**	929
Total other operating expenses	**7,600**	7,081

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

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

"Charity initiatives" referred mainly to a donation of the proceeds from auction of its special-edition Riva Anniversario yacht to support UNICEF's work keeping children safe in El Salvador.

The item "Settlement agreements" related to several private agreements entered into in the course of the year ended December 31, 2023.

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

17. PROVISIONS AND IMPAIRMENT

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

	31/12/2023	31/12/2022
Allocations to the provision for product warranties	**25,071**	26,097
Provision for miscellaneous risks, net	**6,329**	6,009
Allocations to the provision for doubtful accounts	**5,005**	3,417
Total provisions and impairment	**36,404**	35,524

18. DEPRECIATION AND AMORTISATION

	31/12/2023	31/12/2022
Depreciation of property, plant and machinery	**45,249**	38,522
Depreciation of rights-of-use assets	**3,711**	3,376
Amortisation of intangible assets	**5,967**	4,823
Total depreciation and amortisation	**54,927**	46,721

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

19. SHARE OF LOSS OF A JOINT VENTURE AND OTHER EQUITY INVESTMENTS

The item "Share of loss of a joint venture" amounted to €0 thousand for the year ended December 31, 2023 due to the dissolution of the company at the beginning of January 2023.

20. FINANCIAL INCOME

	31/12/2023	31/12/2022
Income from receivables entered in fixed assets	**9,789**	6,621
Dividends distributed by subsidiaries	**2,523**	2,220
Interest income from banks	**6,231**	635
Interest and other financial income	**2,577**	1,792
Total financial income	**21,120**	11,268

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

"Dividends distributed by subsidiaries" refers to the dividends that the Shareholders' Meeting of Zago S.p.A. authorised to be distributed to Ferretti S.p.A. and payment was received on 4 August 2023.

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

21. FINANCIAL EXPENSES

	31/12/2023	31/12/2022
Interests on banks and other loans	**1,168**	2,960
Interest on lease liabilities	**177**	111
Interest on provision for severance benefits and pensions	**86**	38
Interest paid to subsidiaries	**0**	1
Other financial expenses	**1,777**	1,178
Total financial expenses	**3,209**	4,288

22. FOREIGN EXCHANGE GAINS/(LOSSES)

At December 31, 2023, the Company does not have exchange rate risk hedging contracts in force; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at December 31, 2023.

23. INCOME TAX

Taxes showed tax expense of €18,907 thousand for the year ended December 31, 2023, due to both current and deferred taxes, as illustrated period:

	31/12/2023	31/12/2022
Corporate income tax (IRES)	**(4,887)**	(324)
Regional tax (IRAP)	**(5,166)**	(2,614)
Total current taxes	**(10,053)**	(2,938)
Recognition of R&D receivable	**1,033**	1,161
Prior-year taxes	**24**	139
Deferred taxes	**(9,911)**	(3,114)
Total income tax	**(18,907)**	(4,752)

23. INCOME TAX (CONTINUED)

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

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

The following table provides a reconciliation between the nominal and effective tax rate of the Company for 2023 and 2022:

	31/12/2023	31/12/2022
Theoretical taxable base*	**105,262**	57,146
IRES 24%	**(25,263)**	(13,715)
IRAP 3.90%	**(4,105)**	(2,229)
Total theoretical tax	**(29,368)**	(15,944)
Credit used for ACE (Allowance for Corporate Equity) of the year	**2,720**	2,570
Recognition of R&D receivable	**1,033**	1,161
Utilisation of tax losses	**10,868**	7,873
Undeductible costs	**(3,707)**	(1,621)
Other differences	**(453)**	1,209
Effective tax recognised in the income statement	**(18,907)**	(4,752)

(*) Figure referred to the profit before tax.

The Italian government has implemented Pillar Two regulations effective January 1, 2024 (as provided by Legislative Decree No. 209 of December 28, 2023, hereinafter "**Italian Decree on Pillar Two**"). According to the Italian Decree on Pillar Two, Ferretti S.p.A. qualifies as a Partially-Owned Parent Entity ("**POPE**" or "**Partially-Owned Parent Entity**") because more than 20 percent of its profit rights are held by entities outside the group perimeter.

Shandong Heavy Industry, located in China, appears to be the parent company ("**Ultimate Parent Entity**" or "**UPE**") that fully consolidates (i.e., line-by-line) its subsidiaries, including Ferretti S.p.A. Considering that Pillar Two regulations are not yet effective as of the reporting date, there are no current tax liabilities for the year ending December 31, 2023.

In light of the Group's structure above, the preliminary calculation of the "Transitional CbCR Safe harbor" ("**TSH**") tests has been carried out by UPE and is still being finalized.

23. INCOME TAX (CONTINUED)

Indeed, taking into account the complexity of the legislation in question and the uncertainty in its application, the quantitative impact cannot be reasonably estimated at present. The Group expects to complete the assessment in the first half of 2024.

The Group has applied the temporary mandatory exemption required by the amendment to IAS 12.

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the Statement of Financial Position for the fiscal year ended December 31, 2023 compared with December 31, 2022.

CURRENT ASSETS

24. CASH AND CASH EQUIVALENTS

	31/12/2023	31/12/2022
Bank and postal accounts	**147,579**	105,182
Time deposit	**142,464**	188,127
Cash and securities on hand	**14**	13
Total cash and cash equivalents	**290,057**	293,322

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

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

During the year ended December 31, 2023, the Company has signed time deposit accounts agreements with five primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months.

The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 28), if any.

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

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

25. TRADE AND OTHER RECEIVABLES

	31/12/2023	31/12/2022
Trade receivables	**229,772**	189,319
Other receivables	**37,022**	36,222
Total trade and other receivables	**266,794**	225,541

	31/12/2023	31/12/2022
Accounts receivable from customers	**20,914**	11,697
Receivables from Group Companies	**211,762**	179,732
Receivables from Controlling Company	**0**	891
Total gross trade receivables	**232,676**	192,320
(Less) Provision for doubtful accounts	**(2,904)**	(3,001)
Total trade receivables	**229,772**	189,319

"Accounts receivable from customers" at December 31, 2023 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising. These are considered to be receivable within 12 months. Payment terms are agreed with customers on a case by case basis.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables from Group companies

	31/12/2023	31/12/2022
Zago S.p.A.	**185**	1,211
Sea Lion Srl	**183**	—
Ram Srl	**352**	196
Ferretti Tech Srl	**3**	3
Fratelli Canalicchio S.p.A.	**3**	122
Il Massello Srl	**51**	2
Ma.Ri.Na. Srl	**—**	1
Ferretti Group of America Holding Company Inc	**11**	11
Ferretti Group of America LLC	**176,196**	155,085
Allied Marine Inc	**1,072**	1,072
Ferretti Group Asia Pacific Ltd	**33,471**	21,849
Ferretti Asia Pacific Zhuhai Ltd	**3**	3
Ferretti Group UK Ltd	**123**	102
Ferretti Group (Monaco) SaM	**78**	51
Ferretti Gulf Marine-Sole Proprietorship Llc	**29**	24
Ferretti Group Singapore Pte. Ltd	**2**	0
Total trade receivables from Group companies	**211,762**	179,732

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

Receivables from Controlling Company

The balance of Receivables from Controlling Company amounting to €891 thousand at December 31, 2023 referred wholly rebillable costs to Ferretti International Holding S.p.A..

Provision for doubtful accounts

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

	31/12/2023	31/12/2022
At beginning of year	**3,001**	5,590
Impairment losses, net	**460**	3,417
Amount written off as uncollectible	**(557)**	(6,006)
At end of year	**2,904**	3,001

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Provision for doubtful accounts (Continued)

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

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

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

Other receivables

	31/12/2023	31/12/2022
Other tax receivables	**11,048**	21,876
Accruals, deferrals and other receivables	**25,974**	14,347
Total other receivables	**37,022**	36,222

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

	31/12/2023	31/12/2022
Receivables owed by social security institutions	**339**	213
Other receivables from Group companies	**514**	433
Commissions advances	**4,520**	4,890
Advances, prepayments and sundry receivables from suppliers	**16,253**	3,480
Others	**294**	300
Accruals and deferrals	**4,054**	5,031
Total accruals, deferrals and other receivables	**25,974**	14,347

"Receivables owed by social security institutions" at December 31, 2023 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €159 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables (Continued)

The item "Other receivables from Group companies" refers for €514 thousand to the receivable from the subsidiary Zago S.p.A., which accrued a tax gain for IRES purposes that the Company used, as part of the National Tax Consolidation, to offset tax losses of other companies.

The balance relating to "Advances, prepayments and sundry receivables from suppliers" as at December 31, 2023 mainly refers for €14.25 million to the advance payment for the acquisition of an additional 30,000 square meters adjacent to the San Vitale Shipyard, bringing the entire new production area in Ravenna to approximately 100,000 square meters to produce the Made-to-measure, Composite and sail segments of the Ferretti Yachts and Wally brands. This latest acquisition is equivalent a further increases the Group's production capacity by 10%. In the second half of January, Ferretti SpA executed the sale agreement. The balance also includes about €777 thousand of advances already paid for the main industry trade shows to be held in the first months of 2023, such as those in Dusseldorf and Miami and several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at December 31, 2023 the impairment loss provision for the other receivable was assessed to be minimal.

Income tax recoverable

As at December 31, 2023 Income tax recoverable includes mainly tax credits recognized under Italian incentive laws ("**Industria 4.0**" and "**Credito d'imposta Ricerca e Sviluppo e Design e Ideazione estetica 2022**") for €1,296 thousand.

26. CONTRACT ASSETS

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

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

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

	31/12/2023	31/12/2022
Gross value of contract assets	**623,076**	531,632
Advances collected	**(433,582)**	(394,972)
Total contract assets	**189,493**	136,660

27. INVENTORIES

	31/12/2023			31/12/2022
	Gross value	Allowance for write-downs	Net amount	Net amount
Raw materials and components inventory	**67,156**	**(8,245)**	58,911	52,130
Work in progress and semi-finished goods	**107,170**	**—**	107,170	88,146
New boats	**117,566**	**0**	117,566	29,793
Used boats	**23,276**	**(4,995)**	18,281	6,521
Total inventories	**315,167**	**(13,240)**	301,927	176,590

The item "Raw materials and components inventory" is adjusted by an allowance for write-downs of €8,245 thousand at December 31, 2023 that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

The item "New boats" refers to boats not covered by orders, whose production had been completed at the closing date of the reporting period.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €4,995 thousand, in order to bring the purchase cost down to its estimated realisable value.

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

	31/12/2023	31/12/2022
Within one year	**280,917**	176,132
Beyond one year	**21,010**	458
Total inventories	**301,927**	176,590

Advances on inventories

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

28. OTHER CURRENT ASSETS

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

	31/12/2023	31/12/2022
Time deposit and other financial investments	**—**	83,267
Incidental borrowing costs	**385**	641
Other current assets	**0**	1,432
Other current assets from Group companies	**46,571**	31,412
Total other current assets	**46,956**	116,752

At the end of the financial year 2022, the Company subscribed some time deposit accounts agreements with four primary banks for a total of €40 million, in order to benefit of increasing interest rates, with maturity of more than three months to six months. The deposits in place as at December 31, 2023 have a maturity of less than three months and are included in "cash and cash equivalents" (see Note 5 and 28 for further details).

The residual part of "other financial investments" as at December 31, 2022 mainly refers to two financial investments in the form of life insurance policies reimbursed during 2023 detailed as follows:

— Life insurance with "CNP Vita Assicurazioni S.p.A.", for a premium of €38 million;

— Life insurance with "Bipiemme Vita S.p.A.", for a premium of €5 million and annual coupon.

The "Incidentals borrowing costs" refer for €385 thousands to the committed "Revolving Credit Facility" and "Revolving Pre-Finance Facility, not in use on December 31, 2023 but available until August 2024 (Note 34).

28. OTHER CURRENT ASSETS (CONTINUED)

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

	31/12/2023	31/12/2022
Financial receivables		
Ferretti Group of America LLC	**1,768**	1,012
Ferretti Group of America Holding Company Inc	**22,860**	19,350
Zago S.p.A.	**229**	133
Ram S.p.A.	**213**	209
Fratelli Canalicchio S.p.A.	**229**	5
Il Massello Srl	**177**	6
Allied Marine Inc.	**4,887**	4,259
Ferretti Group (Monaco) Sam	**101**	89
Ferretti Group UK Ltd	**19**	16
Ferretti Group Asia Pacific Ltd	**235**	178
	30,716	25,257
Receivables for treasury accounts		
Zago S.p.A.	**5,228**	3,052
Fratelli Canalicchio S.p.A.	**7,470**	1,663
Il Massello Srl	**3,158**	1,440
	15,855	6,155
Total	**46,571**	31,412

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

NON-CURRENT ASSETS

29. INVESTMENTS IN SUBSIDIARIES

Equity investments in subsidiaries at December 31, 2023 were broken down as follows:

	31/12/2023	31/12/2022
Zago S.p.A.	**9,417**	9,417
Sea Lion Srl	**3,428**	3,428
Ram S.p.A.	**2,269**	2,269
Ferretti Tech Srl	**30**	30
Fratelli Canalicchio S.p.A.	**100**	100
Ferretti Group of America Ltd	**4**	4
Ferretti Group Asia Pacific Ltd	**10**	10
Ferretti Group Asia Pacific Zhuhai Ltd	**120**	120
Ferretti Group (Monaco) S.a.M.	**1,100**	1,100
Ferretti Group UK Ltd	**2**	2
Ferretti Gulf Marine-Sole Proprietorship Llc	**1,546**	1,096
Total equity investments	**18,025**	17,575

On 20 February 2023, the Company made a non-refundable payment with no right of restitution amounting to €450 thousand to Ferretti Gulf Marine-Sole Proprietorship Llc..

30. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the year ended December 31, 2023 were as follows:

At December 31, 2023, the net carrying amounts of land and buildings, plant, machinery and equipment, other assets included rights-of-use assets amounting to Euro 5,661 thousand, Euro 14 thousand and Euro 1,564 thousand, respectively.

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
At January 1, 2023					
Cost	202,786	45,649	39,336	307,306	595,077
Accumulated depreciation	(47,911)	(30,675)	(20,488)	(227,723)	(326,798)
Net carrying amount	154,875	14,973	18,848	79,583	268,279
At January 1, 2023, net of accumulated depreciation	154,875	14,973	18,848	79,583	268,279
Additions — owned assets	72,696	8,785	5.928	28,305	115,714
Additions — right-of-use assets	4,849	176	774	0	5,799
Disposals	(22)	(679)	0	(616)	(1,317)
Disposals — right-of-use assets	0	0	0	0	0
Depreciation — owned assets	(9,453)	(3,313)	(3,341)	(29,141)	(45,249)
Depreciation — right-of-use assets	(2,550)	(190)	(972)	0	(3,711)
Reclassification	464	(868)	1,488	(234)	850
At December 31, 2023, net of accumulated depreciation	220,859	18,884	22,725	77,897	340,365
At December 31, 2023					
Cost	295,548	64,746	49,557	335,885	745,736
Accumulated depreciation	(74,690)	(45,862)	(26,832)	(257,988)	(405,371)
Net carrying amount	220,859	18,884	22,725	77,897	340,365

At December 31, 2023, the net carrying amounts of land and buildings, plant, machinery and equipment, other assets included rights-of-use assets amounting to Euro 7,960 thousand, Euro 0 thousand and Euro 1,366 thousand, respectively.

30. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
At January 1, 2022					
Cost	169,909	42,447	31,143	276,116	519,615
Accumulated depreciation	(40,824)	(28,601)	(16,857)	(201,501)	(287,783)
Net carrying amount	129,085	13,846	14,286	74,615	231,832
At January 1, 2022, net of accumulated depreciation	129,085	13,846	14,286	74,615	231,832
Additions — owned assets	32,376	5,252	4,681	32,081	74,390
Additions — right-of-use assets	2,546	118	1,698	0	4,362
Disposals	(1,298)	(16)	(5)	(31)	(1,351)
Disposals — right-of-use assets	0	0	0	0	0
Depreciation — owned assets	(5,755)	(2,645)	(2,750)	(27,371)	(38,522)
Depreciation — right-of-use assets	(2,323)	(157)	(896)	0	(3,376)
Reclassification	245	(1,423)	1,834	289	945
At December 31, 2022, net of accumulated depreciation	154,875	14,974	18,848	79,583	268,279
At December 31, 2022					
Cost	202,786	45,649	39,336	307,306	595,077
Accumulated depreciation	(47,911)	(30,675)	(20,488)	(227,723)	(326,798)
Net carrying amount	154,875	14,973	18,848	79,583	268,279

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

31. INTANGIBLE ASSETS

Movements in this item in the year ended December 31, 2023 were as follows:

	Trademarks	Other intangible assets	Total
Cost	**221,655**	**55,883**	**277,538**
Accumulated depreciation	**0**	**(45,961)**	**(45,961)**
Net carrying amount	**221,655**	**9,922**	**231,577**
Balance at 31 December 2022	**221,655**	**9,922**	**231,577**
Additions	**154**	**18,832**	**18,986**
Amortisation	**0**	**(5,705)**	**(5,705)**
Impairment	**0**	**(262)**	**(262)**
Reclassification	**0**	**(554)**	**(554)**
Balance at 31 December 2023	**221,809**	**22,233**	**244,043**
Cost	**221,809**	**74,161**	**295,970**
Accumulated depreciation	**0**	**(51,928)**	**(51,928)**
Net carrying amount	**221,809**	**22,233**	**244,043**

31. INTANGIBLE ASSETS (CONTINUED)

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

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

Trademarks — Indefinite useful life

A breakdown of the value of "Trademarks" at December 31, 2023 is as follows:

	31/12/2023	31/12/2022
Ferretti Yachts	**95,318**	95,318
CRN	**46,544**	46,544
Custom Line	**36,718**	36,718
Riva	**30,716**	30,716
Wally	**2,929**	2,929
Pershing	**8,609**	8,609
Easy Boat	**9**	9
Mochi	**2**	2
Costs for trademark protection and acquisition	**965**	811
Total trademarks	**221,809**	221,655

31. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets — Definite useful life

	31/12/2023	31/12/2022
Concessions	**11,412**	1,508
Intellectual property rights	**10,403**	7,437
Software	**418**	977
Total Other intangible assets	**22,233**	9,922

- "Concessions" refers chiefly to (i) for a net book value of €9,695 thousand, the costs incurred to acquire an area of approximately 17,000 sq.m. of the Ravenna shipyard pursuant to a public land-use concession, used as a dry dock and a quay with docks and launching structure. The concession expires on December 31, 2025 and the Group, in August 2023, requested a new concession for the same area, with an increase of the quay for the construction of piers and partial filling of the dry dock lasting for 40 years, which is in the process of being released; (ii) the costs incurred to acquire docking rights until 2053 in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica, for a net book value of €608 thousand; (iii) the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, the net value of the investment is €599 thousand; the right will remain valid until 2067;

- "Intellectual property rights" with a net book value of €11,164 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganization of the Group initiated in previous years. This item also includes the design work to develop naval platforms for the construction of the CRN models. The Group conducted research and development on innovative solutions for each model to be applied to all units built. In particular, the projects being developed include: the creation of special gates, built on land before the steel boat structure arrives in the shipyard: standardization of the plant processes; study of the installation of plastic pipes to optimize footprint; development of an engine room optimized for the passage of pipes and conduits; and the study and development of light-weight furnishings, with support from the Engineering Department.

- the residual value of the item "Other intangible assets" (€418 thousand) referred to the net value of licenses for new IT applications and the net value of patents.

31. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets — Definite useful life (Continued)

Impairment test on indefinite useful life intangible assets

On December 31, 2023, the Company carried out impairment tests on these assets.

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

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

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

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

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

	31/12/2023	31/12/2022
Interest rate for riskless assets	**4.24%**	3.00%
Discount rate pre-tax — WACC	**12.68%**	11.82%
Perpetuity growth rate (g-rate)	**2.00%**	2.00%

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

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

On the basis of the analyses conducted, the Company's management did not identify a reasonable possible change in key parameters that could result in the carrying amount of the CGUs exceeding its recoverable amount at the end of 2023 and 2022.

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

32. OTHER NON-CURRENT ASSETS

	31/12/2023	31/12/2022
Equity investments designated at fair value through income statement	**2**	117
Investment in a joint venture	**0**	12
Deposits	**573**	582
Commissions advances	**2,703**	1,102
Other assets	**44,440**	39,700
Incidental borrowing costs	**0**	378
Total other non-current assets	**47,718**	41,890

The item "Equity investments designated at fair value through income statement" includes the equity investment in industry consortia. During the financial year ended at December 31, 2023 the equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant was written down as the state concession will expire at the end of June 2024.

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

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

	31/12/2023	31/12/2022
Sea Lion Srl	**21,619**	21,413
Zago S.p.A.	**6,375**	6,375
Il Massello Srl	**4,650**	0
Ferretti Group of America LLC	**5,442**	5,638
Ferretti Group (Monaco) S.a.M.	**799**	799
Ferretti Group UK Ltd	**165**	165
Ferretti Group Asia Pacific Ltd	**1,000**	1,000
Total	**40,050**	35,390

On December 21, 2023, the Company issued a loan to Il Massello Srl for €4,650 thousand to cover an expansion plan which involves the construction of a new production site for the subsidiary

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

33. DEFERRED TAX ASSETS

In detail, movements for the year ended December 31, 2023 are as follows:

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2022 and 1 January 2023	13,746	2,608	605	10,340	1,115	57,152	811	86,376
Credited/(charged) to:								
Profit and loss	4,831	1,656	(19)	799	(208)	(16,552)	(70)	(9,563)
Other comprehensive income	0	0	0	0	0	0	(27)	(27)
Other reserves	0	0	0	0	0	0	0	0
At December 31, 2023	18,578	4,264	585	11,139	907	40,599	714	76,786

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2022 and 1 January 2023	1,315	60,659	5,420	1,682	69,077
Charged/(credited) to:					
Profit and loss	0	0	(129)	295	166
Other comprehensive income				146	146
At December 31, 2023	1,315	60,659	5,292	2,124	69,390

33. DEFERRED TAX ASSETS (CONTINUED)

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

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

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

33. DEFERRED TAX ASSETS (CONTINUED)

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

	31/12/2023	31/12/2022
Deferred tax assets	**7,396**	17,299
Deferred tax liabilities		—
Total Deferred tax assets	**7,396**	17,299

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

	31/12/2023	31/12/2022
Tax losses and interest expense	**—**	9,632

The Company has tax assets from tax losses and surplus of financial interest expense (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising from €41,378 thousand and €67,315 thousand as at December 31, 2023 and 2022 that are available without any time limit for offsetting against future taxable profits of the entities included in Group tax consolidation scheme in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial deduct expense that were not deducted in the past). Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

No deferred tax assets arising from tax losses and not deducted interest expense carried forward ("**DTAs**") have not been recognized as at December 31, 2023.

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

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS CURRENT LIABILITIES

34. BANK AND OTHER BORROWINGS

	31/12/2023			31/12/2022		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — unsecured			**239**		2023	161
Due to banks net of incidental borrowing costs			**239**			161
Others		**2022**	**0**		2023	1,676
Lease liabilities	**2.0–6.6**	**2022**	**4,051**	2.0–4.7	2023	4,029
Total short-term			**4,290**			5,866

	31/12/2023			31/12/2022		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Lease liabilities	**2.0–6.6**	**2055**	**13,616**	2.0–4.7	2031	13,073
Total medium/long-term			**13,616**			13,073
Total Bank and other borrowing			**27,232**			18,939

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

(a) an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company, to be repaid according to an amortisation schedule that calls for six half-yearly payments, starting on December 31, 2022, with maturity on 2 August 2024, to be used to finance, inter alia, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the "**Term Loan Facility**");

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

34. BANK AND OTHER BORROWINGS (CONTINUED)

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

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

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

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

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

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

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

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

All borrowings are denominated in Euro.

35. PROVISIONS

The table below shows the changes that occurred in "Provisions" during the years ended December 31, 2023 and December 31, 2022:

	Provision for product warranties	**Provisions for miscellaneous risks**	**Total**
Balance at January 1, 2023	**26,201**	**26,641**	**52,842**
Additions	**25,071**	**36,252**	**61,323**
Utilisations during the year	**(17,440)**	**(20,252)**	**(37,692)**
Balance at December 31, 2023	**33,831**	**42,642**	**76,473**

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

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

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

	31/12/2023	31/12/2022
Current portion	**21,296**	13,152
Non-current portion	**12,535**	13,049
Total Provision for product warranties	**33.831**	26,201

35. PROVISIONS (CONTINUED)

Provisions for miscellaneous risks

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

	31/12/2023	31/12/2022
Legal proceedings and tax and employment law litigation	**5,994**	8,663
Dealer incentives	**12,114**	8,944
Provisions for completion of boats	**4,362**	2,813
Provisions for other risks	**20,171**	6,222
Total provisions for miscellaneous risks	**42,642**	26,461

Provisions for miscellaneous risks are classified under current liabilities.

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

The Company was involved mainly in two tax litigation proceedings for which during 2023 the Company has applied for a facilitated settlement to close the litigation and released the correspondent provision, created only for part of the value of the two litigations, that were approximately €5 million.

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

The “Provisions for other risks” were established to cover liabilities that are likely to arise as a result of identified issues that Company could face in the normal course of business. As at December 31, 2023, the Company accrued a provision of Euro 6,000 thousand to support the Group’s supply chain.

36. TRADE AND OTHER PAYABLES

	31/12/2023	31/12/2022
Trade payables	**370,065**	265,765
Trade payables to Group companies	**50,343**	99,607
Trade payables	**420,407**	365,372
Other payables	**179,709**	119,125
Total trade and other payables	**600,117**	484,497

36. TRADE AND OTHER PAYABLES (CONTINUED)

	31/12/2023	31/12/2022
Trade and other payables — current	**599,273**	483,514
Trade and other payables — non-current	**844**	984
Total trade and other payables	**600,117**	484,497

Trade payables

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

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

Trade payables to Group companies

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

	31/12/2023	31/12/2022
Zago S.p.A.	**4,797**	5,200
Sea Lion S.r.l.	**4,134**	1,046
Ram S.p.A.	**53**	20
Fratelli Canalicchio S.p.A.	**2,014**	1,992
Il Massello S.r.l.	**2,446**	2,131
Ma.Ri.Na. S.r.l.	**—**	2
Ferretti Group of America LLC	**18,983**	76,349
Allied Marine Inc	**9,474**	9,474
Ferretti Group Asia Pacific Ltd	**8,064**	3,314
Ferretti Group UK Ltd	**53**	53
Ferretti Group (Monaco) S.a.M.	**120**	0
Ferretti Gulf Marine — Sole Proprietorship Llc	**205**	26
Total Trade payables to Group companies	**50,343**	99,607

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

36. TRADE AND OTHER PAYABLES (CONTINUED)

Other payables

	31/12/2023	31/12/2022
Payables due to pension and social security institutions	**12,110**	11,589
Amounts payable to employees	**18,439**	20,395
Amounts payable to directors	**3,043**	2,694
Other tax payable	**5,724**	2,959
Miscellaneous payables	**4,618**	3,372
Accrued expenses	**1,304**	1,423
Deferred income	**133,627**	75,709
Government authorisation fees — non current	**163**	229
Deferred income — non current	**681**	755
Total other payables	**179,710**	119,125

The item "Payables due to pension and social security institutions" reflects the amounts owed to these institutions at December 31, 2023 by the Company and its employees for the December payroll and for accrued and deferred remuneration.

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

The item "Amounts payable to directors" refers to remuneration which has accrued but was not yet paid as of December 31, 2023.

The item "Other tax payable" chiefly refers to taxes withheld accrued that will be paid in January 2024.

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

The item "Deferred income" mainly includes the sale value of boats amounting to approximately €116 million to the subsidiary Ferretti Group of America LLC and to approximately €17 million to the subsidiary Ferretti Group Asia Pacific Ltd invoiced during the year, in relation to which, at the end of the 2023 financial year, the criteria set out in the reference accounting standards for the recognition of revenue were not met.

The item "Government authorisation fees — non current", totalling €163 thousand at December 31, 2023, relates mainly to prepayments of public grants received by the Company of €133 thousand authorised in favour of the former Riva S.p.A., now merged in Ferretti, and €30 thousand authorised in favour of the former subsidiary CRN S.p.A., now also merged in Ferretti. Said deferred income was classified under "Non-current liabilities" for the portion due after the following year. These grants will be recognised in the Income Statement along with the amortisation periods of the corresponding assets once the underlying Framework Agreements expire.

36. TRADE AND OTHER PAYABLES (CONTINUED)

Other payables (Continued)

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

37. CONTRACT LIABILITIES

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

38. INCOME TAX PAYABLE

The item "Income tax payable" at December 31, 2023 refers to income taxes accrued that will be paid in the following year.

NON-CURRENT LIABILITIES

39. BANK AND OTHER BORROWINGS

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

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item at December 31, 2023 is as follows:

	31/12/2023	31/12/2022
Provision for employee benefits	**5,232**	5,620
Provision for leaving indemnity	**405**	425
Total non-current employee benefits	**5,637**	6,045

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits

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

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

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

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

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

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

The following table provides the movements in the item "Provision for employee benefits" at December 31, 2023 and December 31, 2022:

	31/12/2023	31/12/2022
Present value of the initial obligation	**5,620**	6,141
Interest cost	**84**	37
Actuarial gains	**39**	(218)
Use for indemnities paid and advances	**(511)**	(340)
Present value of the final obligation	**5,232**	5,620

At December 31, 2023, the following assumptions were made:

Demographic Assumptions

1. Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2022 (source: ISTAT);

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

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

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

Financial Assumptions

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

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

— technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to December 31, 2023: 3.1%;

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a) Employee benefits (Continued)

Financial Assumptions (Continued)

— technical discounting rate for the valuation of financial charges for the period January 1, 2023, December 31, 2023, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2022 (interest cost): 3.3%;

— technical discounting rate at December 31, 2023, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 3.1709%.

In 2023, an actuarial loss amounting to €39 thousand (before tax) was recognised under the "Other reserves" item.

The amounts recognised in the Income Statement are summarised below:

(in thousand Euro)	**31/12/2023**
Interest cost	**86**
Total	**86**

b) Provision for leaving indemnity

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

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

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

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b) Provision for leaving indemnity (Continued)

At December 31, 2023, the following assumptions were made:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2022 (source: ISTAT);
- probability of termination of employment for various reasons (resignation, dismissal), equal to 3% annually for all employees aged 65 or younger;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). In this regard, it should be borne in mind that no employees have requested early retirement at the present moment.

Financial Assumptions

- Technical discounting rate applied to value defined-benefit obligations and the current service cost relating to December 31, 2023: 3.1%;
- technical discounting rate for the valuation of financial charges for the period January 1, 2023, December 31, 2023, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2022 (interest cost): 3.3%;
- technical discounting rate at December 31, 2023, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 3.1709%.

The actuarial valuation performed in accordance with the method explained above shows that the provision had a value of €405 thousand at December 31, 2023, including the respective contributions.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b) Provision for leaving indemnity (Continued)

Financial Assumptions (Continued)

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

	Increase/ (decrease) of the interest rate of %	Increase/ (decrease) of Provision for employee benefits Euro thousand
December 31, 2023	**0.25** **(0.25)**	**98** **(101)**
December 31, 2022	0.25 (0.25)	116 (104)

SHARE CAPITAL AND RESERVES

Equity amounted to €898,774 thousand at December 31, 2023, as detailed below together with the main components of "Share capital and reserves".

41. SHARE CAPITAL

	31/12/2023	31/12/2022
Issued and fully paid	**338,483**	338,483

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

42. RESERVES

The share premium reserve amounted to €425,041 thousand as at December 31, 2023.

The "Legal reserve", set up pursuant to the Italian Civil Code, amounts to €10,907 thousand. In the fiscal year ended December 31, 2023 the reserve increased for €2,619,736.78 due to the approval by the Annual General Meeting of the Shareholders held on May 18, 2023 of the allocation of 5% of the net income of the Company, for the year ended December 31, 2022, as per Article 2430 of the Civil Code.

42. RESERVES (CONTINUED)

The item "Other reserves", at December 31, 2023, mainly includes:

— The reserve for the overall profit/(loss) effect on defined-benefit plans amounting to €415 thousand at December 31, 2023 was set up in accordance with IAS 19 — Employee Benefits; during the year the amount of the reserve negatively changed by €25 thousand, net of the tax effect, as reported in the Comprehensive Income Statement.

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

Dividends

	31/12/2023	31/12/2022
Dividends	**19,903**	6,707

The General Shareholders' Meeting convened on May 18, 2023, authorized a dividend payout for €19,903 thousand, equal to €5.88 cents per share, made on June 05, 2023.

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

On March 14, 2024, the board of directors of the Company proposed dividend of €32,833 thousand (equal to €0.097 per share), which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

43. CASH FLOWS

Company's main non-monetary transactions

During the year ended December 31, 2023, the Company had non-cash additions to rights-of-use assets and lease liabilities of €5,799thousand (2022: €6,355 thousand).

Changes in liabilities arising from financing activities

Bank and other borrowings *(excluding lease liabilities)*	**31/12/2023**	31/12/2022
At the beginning of the year	**0**	58,730
Changes in financing activities:		
New borrowings		—
Repayment	**0**	58,730
Total at the end of the year	**—**	0

43. CASH FLOWS (CONTINUED)

Changes in liabilities arising from financing activities (Continued)

Lease liabilities	31/12/2023	31/12/2022
At the beginning of the year	**17,102**	18,012
New leases	**5,799**	4,362
Interest expenses	**177**	111
Repayment	**(5,411)**	(5,383)
Total at the end of the year	**17,667**	17,102

Total cash outflows for leasing

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

	31/12/2023	31/12/2022
Operating activities	**4,110**	3,459
Financing activities	**5,411**	5,383

44. RELATED PARTY TRANSACTIONS

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

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

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Trade and other receivables	Other current assets	Other non-current assets	Trade and other payables
Fellow subsidiaries:				
Weichai Holding Group Company Co, Ltd	0	—	—	0
Weichai Power Co Ltd	484	—	—	(645)
Shandong Weichai Import & Export Co. Ltd	3,150	—	—	0
Ferretti International Holding S.p.A.	0	—	—	0
Subsidiaries:				
Zago S.p.A.	185	5,457	6,375	(4,797)
Sea Lion Srl	183	—	21,619	(4,134)
Ram S.p.A.	352	213	—	(53)
Ferretti Tech Srl	3	—	—	—
Fratelli Canalicchio S.p.A.	3	7,698	—	(2,014)
Il Massello Srl	51	3,335	4,650	(2,446)
Ma.Ri.Na. Srl	0	—	—	0
Ferretti Group of America Holding Company Inc	11	22,860	—	—
BY Winddown Inc.	0	—	—	—
Ferretti Group of America LLC	176,196	1,768	5,442	(18,983)
Allied Marine Inc	1,072	4,887	—	(9,474)
Ferretti Group Asia Pacific Ltd	33,471	235	1,000	(8,064)
Ferretti Asia Pacific Zhuhai Ltd	3	—	—	—
Ferretti Group UK Ltd	123	19	165	(53)
Ferretti Group (Monaco) SaM	78	101	799	(120)
Ferretti Gulf Marine-sole Propriertorship Llc.	29	—	—	(205)
Ferretti Group Singapore Pte. Ltd	2	—	—	—
Other related parties:				
Unicredit Leasing S.p.A.	0	—	—	0
HPE S.r.l.	0	—	—	(100)
WM S.A.M. (former Wally S.A.M.)	467	—	—	0
Ferrari S.p.A.	0	—	—	(37)
Studio Fontana & Zanardi	0	—	—	(17)
Still S.p.A.		—	—	(113)
Other related parties	28	—	—	(170)
Total related parties at December 31, 2023	215,891	46,571	40,050	(51,425)

44. RELATED PARTY TRANSACTIONS (CONTINUED)

	Trade and other receivables	Other current assets	Other non-current assets	Trade and other payables
Fellow subsidiaries:				
Weichai Power Co Ltd	484	—	—	(645)
Shandong Weichai Import & Export Co. Ltd	3,150	—	—	0
Ferretti International Holding S.p.A.	891	—	—	0
Subsidiaries:				
Zago S.p.A.	1,211	3,185	6,375	(5,200)
Sea Lion Srl	0	—	21,413	(1,046)
Ram S.p.A.	196	209	—	(20)
Ferretti Tech Srl	3	—	—	—
Fratelli Canalicchio S.p.A.	122	1,669	—	(1,992)
Il Massello Srl	2	1,445	—	(2,131)
Ma.Ri.Na. Srl	1	—	—	(2)
Ferretti Group of America Holding Company Inc	11	19,350	—	—
BY Winddown Inc.	0	—	—	—
Ferretti Group of America LLC	155,085	1,012	5,638	(76,349)
Allied Marine Inc	1,072	4,259	—	(9,474)
Ferretti Group Asia Pacific Ltd	21,849	178	1,000	(3,314)
Ferretti Asia Pacific Zhuhai Ltd	3	—	—	—
Ferretti Group UK Ltd	102	16	165	(53)
Ferretti Group (Monaco) S.a.M.	51	89	799	—
Ferretti Gulf Marine-sole Propriertorship Llc.	24	—	—	(26)
Other related parties:				
HPE Srl	0	—	—	(50)
WM S.A.M. (former Wally S.A.M.)	360	—	—	0
Ferrari S.p.A.	0	—	—	(535)
Poem Srl	—	—	—	(8)
Other related parties	28	—	—	(139)
Total related parties at December 31, 2022	184,645	31,412	35,390	(100,983)

The balance of trade and other payables to Weichai Power Co., Ltd amounting to €645 thousand at December 31, 2023 refers wholly to the agreements on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

The balance of trade and other receivables from Shandong Weichai Import & Export Co., Ltd amounting to €3.2 million at December 31, 2023 refers wholly to the sale of a yacht.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance of trade and other payables to HPE Srl amounting to €100 thousand at December 31, 2023 refers wholly to the last two instalments in 2023, based on the agreement entered into on January 1, 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The balance of trade and other payables to Ferrari S.p.A. amounting to €37 thousand at December 31, 2023 refers primarily to sponsoring the "Riva" brand on the Ferrari helmets and the race cars.

The balance of trade and other payables to other related parties amounting to €170 thousand at December 31, 2023 mostly refers to the costs incurred by the Company for legal services amounting to €27 thousand and other services provided by related parties under arm's length conditions.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

A breakdown of the Company's transactions with related parties for the year ended December 31, 2023 and December 31, 2022 is set out below:

	Net Revenue	Other Revenues and Income	Costs for the use of raw materials, services, rentals and leases	Financial income (expense)
Fellow subsidiaries:				
Hydraulics Drive Technology	—	—	(54)	0
Ferretti International Holding S.p.A. (soc. controllante diretta)	—	2,880	—	—
Other related parties:				
HPE S.r.l. (soc. terza)	0	—	(200)	—
WM S.A.M. (former Wally S.A.M.)	—	—	(450)	—
Ferrari S.p.A. (soc. terza)	0	—	(1,030)	—
Studio Zanardi & Fontana	—	—	(17)	—
Still S.p.A.	—	—	(145)	—
Other related parties	43	10	(1,187)	—
Subsidiaries:				
Zago S.p.A.	0	268	(27,541)	3,343
Sea Lion S.r.l.	—	150	(3,088)	206
Michelini S.r.l.	—	—	—	—
RAM Srl	90	45	(154)	4
Fratelli Canalicchio S.p.A.	—	68	(4,763)	270
Il Massello Srl	—	58	(6,822)	171
BY Winddown Inc	—	—	—	4,237
Allied Marine Inc	—	0	0	628
Ferretti Group of America LLC	114,150	340	(12,112)	755
Ferretti Group of America Holding Company Inc	—	—	—	3,510
Ferretti Group Asia Pacific Limited	2,762	100	(2,368)	56
Ferretti Group (Monaco) SAM	0	—	(803)	12
Ferretti Group UK Limited	—	0	0	2
Ferretti Asia Pacific Zhuhai	—	—	0	—
Ferretti Gulf Marine-sole Propriertorship Llc.	—	5	(302)	—
Total related parties at December 31, 2023	117,045	3.923	(61,036)	13,195

44. RELATED PARTY TRANSACTIONS (CONTINUED)

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

The costs with regard to Hydraulics Drive Technology amounting to €54 thousand at December 31, 2023 refer to the costs incurred by the Company for technical consulting services.

The revenue with regard to Ferretti International Holding S.p.A. amounting to €3,770 thousand as at December 31, 2023 entirely refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by Ferretti International Holding S.p.A..

44. RELATED PARTY TRANSACTIONS (CONTINUED)

The costs with regard to WM S.A.M. amounting to €450 thousand for 2023 relate primarily to commission for the sale of some boats.

The costs with regard to HPE S.r.l. amounting to €200 thousand for 2023 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The costs with regard to Ferrari S.p.A. amounting to €1,031 thousand for 2023 relate to sponsoring the "Riva" brand on the Ferrari helmets and race cars.

The costs to other related parties amounting to €1,187 thousand at December 31, 2023 mostly refer to the costs incurred by the Company for legal services and other consulting services, tied to the development of new boat and the Wally trademark, provided by related parties under arm's length conditions.

In addition, it is reported that during the period the Company incurred costs amounting to €408 thousand, which relate to engineering costs for the development of the Ancona shipyard that have been considered to be accessory costs to the plant construction and hence are shown in this item.

Compensation of key management personnel of the Company

	31/12/2023	31/12/2022
Fees	**4,447**	5,988
Wages and salaries	**4,529**	8,916
Social security contributions	**1,094**	1,037
Employee severance indemnities and other allocations	**188**	—
Total compensation paid to key management personnel	**10,258**	15,941

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

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

	31/12/2023	31/12/022
Fees	**4,823**	7,658
Social security contributions	**35**	35
Total fees and compensation	**4,858**	7,693

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

The detail is as follow:

2023

Name and surname	Post held	Fees and compensation for the post held	Social security contributions	Total
Tan Xuguang *	Chairman of the Board of Directors	—	—	—
Alberto Galassi **	Director and Chief Executive Officer	4,447	—	4.447
Piero Ferrari	Vice Chairman of the Board of Directors	63	—	63
Xu Xinyu	Director	64	24	88
Li Xinghao	Director	52	—	52
Hua Fengmao	Director	52	—	52
Jiang Lan	Director	35	—	35
Stefano Domenicali	Director	58	11	69
Patrick Sun	Director	52	—	62
		4,823	35	4,858

2022

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

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

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

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

The remuneration paid to Ferretti S.p.A.'s Statutory Auditors and members of the Supervisory Body for the years ended December 31, 2023 and 2022 are shown in the table below (in thousand Euro):

2023

Post held	Fees and compensation for the post held	Social security contributions	Total
Board of Statutory Auditors	**119**	**5**	**124**
Supervisory Body	**83**	**—**	**83**
Total	**202**	**5**	**207**

2022

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

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

The fees, including all related expenses paid to the independent auditors in relation to the auditing of the Financial Statements for the years ended December 31, 2023 and 2022 are shown below (in thousand Euro):

2023

Company	Post held	Fees and compensation for the post held
EY S.p.A.	Fees for the auditing of accounts	**465**
EY S.p.A.	Fees for other services	**642**
EY Advisory S.p.A.	Fees for other services	**312**
Studio Legale Tributario	Fees for other services	**46**
Total		**1,465**

2022

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

46. CONTINGENT LIABILITIES

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

47. MORTGAGES ON PROPERTIES

As at December 31, 2023, the Company's bank loans were secured by mortgages on properties of €111.7 million (December 31, 2022: €94,224 thousand).

48. COMMITMENTS

As at December 31, 2023 no commitments was reported (December 31, 2022: Nil).

49. GUARANTEES PROVIDED TO THIRD PARTIES

For purposes of comprehensive disclosure, the following paragraphs provide a detail the guarantees provided and the commitments undertaken by the Company at December 31, 2023.

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

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

- a surety policy for a total amount of €21 million issued by Allianz Trade (Euler Hermes) for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit surplus for 2022;

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

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

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

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

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

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

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

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

- a surety policy for a total amount of €22 thousand issued by Liberty Mutual Insurance Europe SE as a guarantee for contractual obligations associated with the supply of several patrol boats to the Carabinieri Corps;

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

49. GUARANTEES PROVIDED TO THIRD PARTIES (CONTINUED)

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

— guarantees totalling €168.3 million issued by various banks in favor of customers as a guarantee of the advances paid for the construction of several boats;

— a bank guarantee issued in relation to the process awarding the Wally brand;

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

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

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

— a surety policy of €77 thousand Euro, received from Coface in favor of the central-northern Adriatic Sea Port Authority to guarantee compliance with the obligations undertaken following the sub-entry into the Rosetti state maritime concession for 16,070 square meters;

— a surety policy of €558 thousand Euro, received from Liberty Mutual Assicurazioni for the benefit of the Mondolfo Municipality to guarantee compliance with the obligations undertaken in relation to industrial development projects;

— a surety policy of €306 thousand Euro, received from Sace in favor of the Eastern Ligurian Sea Port Authority to guarantee compliance with the obligations undertaken following the concession n. 103 dated 14/02/22, as required by the Navigation Code.

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

— a first-degree deed of mortgage on the properties owned by Ferretti S.p.A.;

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

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

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

50. SIGNIFICANT EVENTS AFTER DECEMBER 31, 2023

In the second half of January 2024, the Company signed an agreement for the acquisition of an additional 30,000 square meters adjacent to the San Vitale Shipyard, bringing the entire new production area in Ravenna to approximately 100,000 square meters to produce the Made-to-measure, Composite and Sail segments of the Ferretti Yachts and Wally brands.

This latest acquisition is equivalent to an investment of approximately €14 million already paid in 2023, accounted for in "other receivable" item, and further increases the Group's production capacity by 10%.

In January 2024, at the Düsseldorf boat show, the Group presented Riva El-Iseo, a fusion of evergreen elegance with latest-generation technology and a focus on sustainability. After the presentation of the prototype in September 2022 at the Monaco Yacht Show, followed by successful completion of a cycle of complex technical and reliability tests, the official version of the first Riva model created for the E-Luxury segment is now ready for sale.

On March 1st Ferretti Group announced its withdrawal from the reclamation and industrial conversion of the site of the former Belleli Yard in Taranto's port area. The Group remains committed to the strategy of verticalization of key production processes such as the internalization of part of the production of fiberglass hulls and superstructures, to which the Taranto area had been designated, thanks to other opportunities such as the recently purchased area in Ravenna to expand the shipyard and other areas near the Group's shipyards.

51. APPROVAL OF THE FINANCIAL STATEMENTS

Dear Shareholders,

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

With reference to the net profit of Ferretti S.p.A. for the year ended December 31, 2023 of €86,354,642.99, we propose the following destination:

— €4,317,732.15 to legal reserve, as per Article 2.430 of the Italian Civil Code;

— €32,832,817.44 as final dividend of €0.097 per Share;

— €49,204,093.40 to the reserve of retained earnings.

The Company's Board of Directors approved these Financial Statements and authorized their publication on March 14, 2023.

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

ATTACHMENTS

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

This information is contained in the following attachments:

I Statement of Changes in Financial Fixed Assets

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

ATTACHMENT I

STATEMENT OF CHANGES IN FINANCIAL FIXED ASSETS

(in thousand Euro)

	Opening balance				Movements for the year			Closing balance			
	Historical cost	Write-up	Write-down	Balance at 31/12/2022	Increase	Decrease	Write-down and reversals of write-down	Historical cost	Write-up	Write-down	Balance at 31/12/2023
Equity investments											
Subsidiaries	695,033	20,782	(698,240)	17,575	450	0	—	695,483	20,782	(698,240)	18,025
Affiliated companies	0	0	0	0	—	—	—	0	0	0	0
Joint ventures	55	—	(43)	12	0	—	(12)	55	0	(55)	0
Other companies	222	0	(106)	117	1	—	(115)	223	0	(221)	2
Total equity investments	695,311	20,782	(698,389)	17,704	450	0	(127)	695,761	20,782	(698,516)	18,027
Receivables											
From subsidiaries	145,490	0	(110,099)	35,390	4,856	(195)	—	150,151	0	(110,099)	40,051
From other	5,994	0	0	5,994	2,106	(435)	—	7,665	0	0	7,665
Incidental borrowing costs	37	—	—	378	—	(378)	—	0	0	0	0
Total receivables	151,862	0	(110,099)	41,762	6,962	(1,008)	0	157,816	0	(110,099)	47,716

ATTACHMENT II

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

Name	Registered office	Share capital (in local currency)	Investments in subsidiaries (in thousand Euro)	Equity Total amount	Equity Pro-quota amount	Income for the year Total amount	Income for the year Pro-quota amount	% ownership Direct	% ownership Indirect
Subsidiaries									
* *Italian companies*									
— Zago S.p.A.	Scorzè (Venice)	EUR 120,000	9,417	1,562	1,562	1,395	1,395	100%	
— Sea Lion Srl	Forlì (Forlì— Cesena)	EUR 10,000	3,428	1,286	964	921	691	75%	
— Ram S.p.A.	Sarnico (Bergamo)	EUR 520,000	2,269	344	275	(240)	(192)	80%	
— Ferretti Tech Srl	Cattolica (Rimini)	EUR 10,000	30	14	14	(7)	(7)	100%	
— Fratelli Canalicchio S.p.A.	Narni (Terni)	EUR 500,000	100	669	402	(195)	(117)	60%	
— Il Massello Srl***	Sant'Ippolito (Pesaro—Urbino)	EUR 30,000		1,740	1,479	(79)	(67)		85%
— Parola Srl****	Sant'Ippolito (Pesaro—Urbino)	EUR 10,000		111	94	8	7		85%
— Smart wood Srl****	Sant'Ippolito (Pesaro—Urbino)	EUR 10,000		112	95	6	5		85%
* *Foreign companies*									
— Allied Marine Inc.	Fort Lauderdale (USA)	USD10	4	15,823	15,823	2,819	2,819	100%	
— Ferretti Group of America Holding Company Inc.	Miami (USA)	USD10	—	(107,455)	(107,455)	127	127	100%	
— Ferretti Group of America Llc*****	Miami (USA)	USD100		(93,265)	(93,265)	2,492	2,492		100%
— BY Winddown Inc*****	Miami (USA)	USD10		(119,122)	(119,122)	(4,691)	(4,691)		100%
— Ferretti Group Asia Pacific Ltd	Hong Kong	HK$100,000	10	(17,661)	(17,661)	1,234	1,234	100%	
— Ferretti Group Singapore Pte. Ltd****	Singapore	EUR 1	1	(2)	(2)	(3)	(3)		100%
— Ferretti Asia Pacific Zhuhai Ltd	Hengqin (Zhuhai)	RMB1,000,000	120	84	84	(10)	(10)	100%	
— Ferretti Group (Monaco) S.a.M.	Monaco (France)	EUR 150,000	1.100	35	35	95	95	100%	
— Ferretti Group UK Ltd	United Kingdom (UK)	GBP 1	2	(273)	(273)	(38)	(38)	100%	
— Ferretti Gulf Marine — Sole Proprietorship Llc.	Arab Emirates	AED 300,000	1,546	1,084	1,084	(377)	(377)	100%	

(*) Controlled through Zago S.p.A.
(**) Controlled through Il Massello Srl
(***) Controlled through Ferretti Group Asia Pacific Ltd
(****) Controlled through Ferretti Group of America Holding Company

Relating to US companies are denominated in USD.