ANNUAL FINANCIAL REPORT

2020

SANLORENZO

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INTRODUCTION

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Letter to Shareholders

Dear Shareholders,

2020 was an unprecedented year for all of us.

It was exactly in this extraordinary year that Sanlorenzo has proven – once again – its ability to meet the most difficult challenges: its resilience.

The effectiveness of the business model and the strength of the brand have enabled to achieve results exceeding expectations, to be considered exceptional given the complexity of the context. Notwithstanding the 45-day lockdown, the halt in production and the restrictive measures that forced us to stay physically distant from our clients, revenues, amounting to €457.7 million, held up, with a growing share in the APAC region and in the Americas, highly strategic markets for our future development.

We kept our promises, carrying on the programme to increase operating margins, fostered by the implementation of the relevant investments in production capacity of the last years, with an adjusted EBITDA that grew by 7.0%, reaching €70.6 million and an incidence on revenues of 15.4%. Net profit showed an increase of a higher magnitude, standing at €34.5 million, up by 27.7% compared to 2019. This, in addition to the financial soundness reached, with a Group net cash position of €3.8 million, allowed us to propose the payment of a dividend, thus keeping faith to the policy adopted in 2019, in view of the IPO.

In this singular context, we kept unchanged the plans to expand the product ranges, also in new segments, with the aim of developing and introducing highly sustainable innovations and technologies, also in the world of yachting. The significant amount of investments dedicated to product development enabled the launch of four new models during 2020, and five are planned in 2021.

This strategy is progressively bringing the expected benefits and the positive start of 2021 is a clear confirmation, particularly for the collection of new orders. This latter is definitively the most reassuring element, given that, following the acceleration recorded in the fourth quarter of 2020, the order intake since the beginning of the year brought the backlog at €527.6 million at the date of approval of this financial report, exceeding by €26.8 million the result achieved as of 31 March 2020.

My appreciation for the results we achieved goes beyond the numbers. With its first Non-Financial Statement, Sanlorenzo has increased its awareness on sustainability issues, expressed in the protection of environment and, above all, persons. Taking care of our employees has always been a primary goal for us, and it is especially to them, to men and women that work in Sanlorenzo, that I would like to express my first thanks.

I would also like to thank our Directors, our Shareholders and all our Stakeholders for the support and the trust they keep showing us, trust that we will not betray, by continuing to design and create gorgeous yachts of perfect manufacturing, the highest expression of our "made by hand, and made well", that got us this far.

Cav. Massimo Perotti
Executive Chairman

Massimo Perotti

Sanlorenzo Group

CORPORATE DATA

Sanlorenzo S.p.A.
Share Capital €34,500,000 fully paid-in[1]
Tax code and registration number in the Register of Companies of Riviere di Liguria - Imperia La Spezia Savona 00142240464
Registered office in via Armezzone 3, Ameglia (SP)
Secondary offices:

- viale San Bartolomeo 362, La Spezia;
- via Marina di Levante, Viareggio (LU);
- via Salvatori 56/58, Viareggio (LU);
- via Dorsale 13, Massa.

www.sanlorenzoyacht.com

[1] *On 21 April 2020, the Extraordinary Shareholders' Meeting approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum of 884,615 ordinary shares destined exclusively and irrevocably to service the 2020 Stock Option Plan, approved by the Ordinary Shareholders' Meeting on the same occasion. This capital increase has not yet been subscribed, even partially.*

CORPORATE BODIES

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

2 *Appointed by the Ordinary Shareholders' Meeting on 24 June 2019 and supplemented on 24 October 2019; will remain in office until the date of the shareholders' meeting called to approve the separate financial statements as at 31 December 2021.*

3 *Appointed by the Ordinary Shareholders' Meeting on 24 October 2019; it will remain in office until the date of the shareholders' meeting called to approve the separate financial statements as at 31 December 2021.*

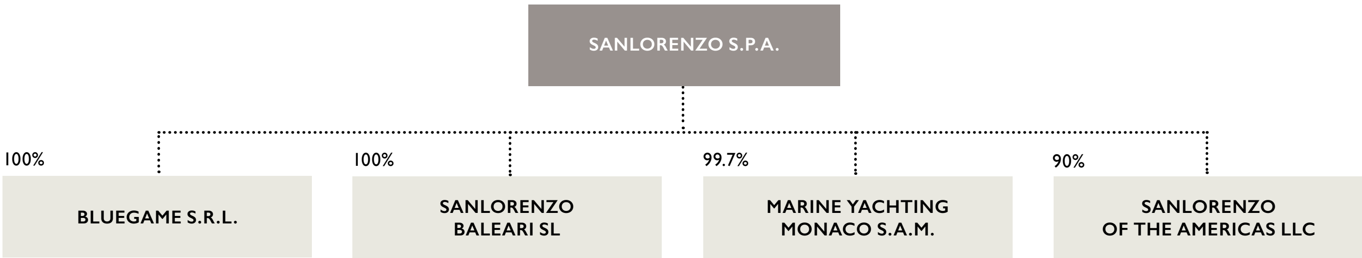
4 *Appointed by the Ordinary Shareholders' Meeting on 23 November 2019 for nine financial years from 2019 to 2027.*

group structure

The Consolidated Financial Statements of the Sanlorenzo Group as at 31 December 2020 include Sanlorenzo S.p.A. (Parent Company) and four companies controlled directly by Sanlorenzo S.p.A. (Bluegame S.r.l., Marine Yachting Monaco SAM, Sanlorenzo Baleari SL and Sanlorenzo of the Americas LLC).

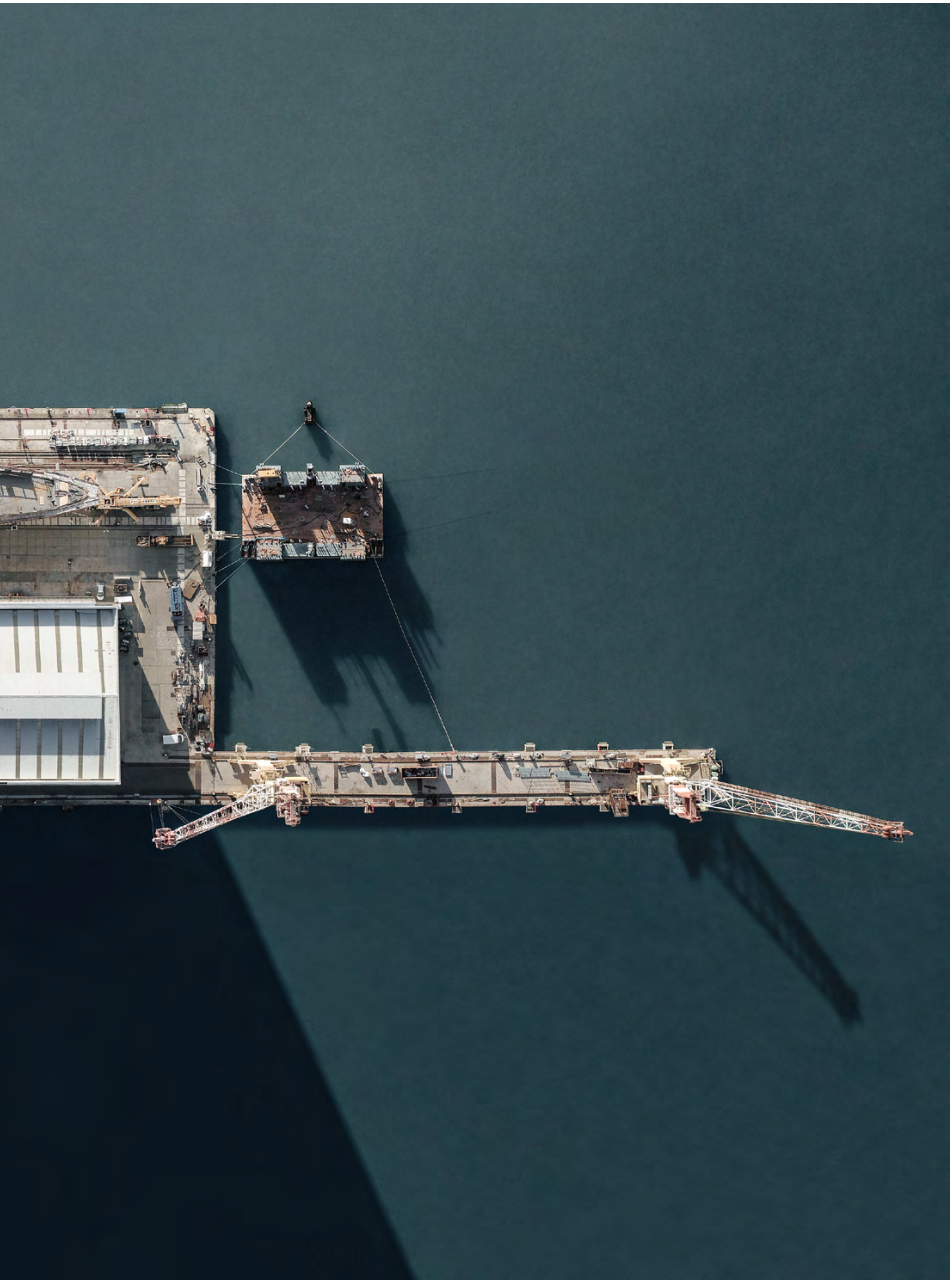

SANLORENZO

CORPORATE ORGANISATIONAL CHART OF THE GROUP AS AT 31 DECEMBER 2020



COMPOSITION OF THE GROUP AS AT 31 DECEMBER 2020

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



II

REPORT ON OPERATIONS

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introduction

Sanlorenzo S.p.A. (the "Company") drafted the Report on operations as the single document both for the Group Consolidated Financial Statements and the Separate Financial Statements.
The Report must be read together with the Financial Statements and the associated Notes to the Financial Statements, integral parts of the Consolidated Financial Statements and the Separate Financial Statements. These documents include the additional information required by Consob, with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005 (resolutions 15519 and 15520 of 27 July 2006 and communication DEM/6064293 of 28 July 2006), as well as with each subsequent communication containing provisions governing financial disclosure.

group activities

The Group is a global operator specialised in the design, production and sale of custom-made yachts, superyachts and sport utility yachts, which are fitted out and customised according to the needs and desires of exclusive customers.
The Group also provides dedicated services to its customers, including training at the Sanlorenzo Academy for crew members of Sanlorenzo yachts, as well as maintenance, restyling and refitting of Sanlorenzo yachts.
Sanlorenzo's long tradition in building yachts starts in 1958 with the construction of the luxury wooden flybridge motor yachts, up to the creation of its first composite yacht model in 1985. With the entry of the Executive Chairman Massimo Perotti, in 2005, Sanlorenzo started to sell yachts at global level and, while always staying true to its concept of the customised yacht in terms of the interior decor and external style, has constantly expanded its product lines; from composite yachts, to semi-displacement composite boats, to superyachts with aluminium hull introduced in 2007 and steel hull introduced in 2010. More recently, the Group has further expanded its range of yachts and superyachts and, in 2018, joined the composite sport utility yacht segment under the Bluegame brand name.
Sanlorenzo is the only company in the sector operating under a single brand name, both in the market for yachts between 24 and 38 metres long, where it has operated since its establishment, and in the market for metal superyachts of more than 40 metres in length.
The Group is articulated into three divisions:

- Yacht Division (dedicated to the design, manufacturing and marketing of composite yachts between 24 and 38 metres long, under the Sanlorenzo brand);
- Superyacht Division (dedicated to the design, manufacturing and marketing of superyachts in aluminium and steel between 40 and 68 metres long, under the Sanlorenzo brand);
- Bluegame Division (dedicated to the design, manufacturing and marketing, under the Bluegame brand, of composite sport utility yachts between 13 and 22 metres long).

The Group sells yachts both directly (through Sanlorenzo, other Group companies or intermediaries) and through brand representatives, each of which operates in one or more assigned regional zones within the context of the global geographical markets.

THE PRODUCTION SITES

The production activities of Yacht Division are carried out in three sites situated in Ameglia (SP), on the banks of the river Magra, in Viareggio (LU) and in Massa. The production activities of Superyacht Division are carried out at the Spezia site. The Company operates out of four production sites within a 50 kilometres radius, within the nautical district sandwiched between the Apuan Alps and the Tyrrhenian Sea, between the northern Tuscan coast and the Ligurian eastside coast.
The production activities of the Bluegame Division are carried out under the coordination of Bluegame by third party companies, which also oversee the subsequent fitting-out activities.

THE PRODUCTS

The divisions produce the following lines of yacht:

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

The table below shows the total numbers of yachts delivered in the year ended 31 December 2020, compared with 31 December 2019, for each division.

	Year ended 31 December				Change	
	2020	% of total	2019	% of total	2020 vs. 2019	2020 vs. 2019%
Yacht Division	51	73.9%	34	68.0%	17	+50.0%
Superyacht Division	4	5.8%	3	6.0%	1	+33.3%
Total Sanlorenzo	55	79.7%	37	74.0%	18	+48.6%
Bluegame Division	14	20.3%	13	26.0%	1	+7.7%
Group total	**69**	**100.0%**	**50**	**100.0%**	**19**	**+38.0%**

Yacht Division

SL Line

The SL Line is the historic Sanlorenzo range and includes flybridge, planing and on-board motor yacht models with living quarters on two and a half decks for layouts with master cabin on the main deck and on two decks with master cabin on the lower deck.
The SL Line includes the following five models with a length ranging from 24 to 38 meters: SL78, SL86, SL96 Asymmetric, SL102 Asymmetric, and SL120 Asymmetric.

SD Line

The SD Line, introduced in 2007, perfectly complements the historic SL Line. The SD Line, inspired by the transatlantic liners of the 1930s, includes shuttle-type yacht models, with semi-displacement hull that does not rise up above the surface of the water while sailing.
The SD Line includes the following three models, with lengths ranging from 28 to 38 metres: SD96, SD118, and SD126.

SX Line

The SX Line, introduced in 2017, covers a new market segment which expands the offering of composite yachts. The SX Line includes crossover type yacht models, a type that combines elements of the flybridge segment with typical features of the Explorer Line (described below), and is characterised by semi-planing speeds (around twenty-two knots), in between that of the SL and SD Lines.
The SX Line includes the following three models, with lengths ranging from 24 to 34 metres: SX76, SX88 and SX112.

Superyacht Division

Alloy Line

Represents the historic product line of Superyacht Division, introduced in 2007, with the delivery of the first 40Alloy model. These are yacht models made with hull and superstructure entirely in aluminium, characterised by a modern design with fast displacement hull and cutting edge technology.

The Alloy Line includes the following two models, with lengths ranging from 40 to 44 metres: 40Alloy and 44Alloy.

Steel Line

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

The Steel Line includes the following four models with lengths ranging from 46 to 68 metres: 46Steel, 52Steel, 62Steel and 64Steel.

Explorer Line

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

The Explorer Line includes the following two models, respectively 42 and 47 metres long: 460EXP and 500EXP.

Bluegame Division

Bluegame Division, introduced in 2018, designs and sells composite sport utility yachts under the Bluegame brand, with lengths ranging from 13 to 22 metres. Bluegame yachts can be used both as autonomous boats and as tenders and chase boats, in this case aimed at owners of yachts and superyachts for use as support boats.

Bluegame Division's yacht production is assigned entirely to specialised contractors, which operate under the supervision of the Bluegame Division's personnel.

BG Line

The BG Line, introduced in 2018, includes "walk-around" boats, with a cockpit and steering gear located centrally in a raised position, surrounded by a walkway protected by a high bulwark.

The BG Line includes the following two models: BG42 (13 meters long) and BG62 (19 meters long).

BGX Line

The BGX Line was introduced in 2019, and combines the typical elements of the BG Line with the crossover concept, already developed by Sanlorenzo in a bigger size with the SX Line.

The BGX Line currently includes two models: BGX60 (19 meters long) and BGX70 (22 meters long).

strategy and business model

Sanlorenzo is the only player in the luxury yachting sector to compete in different segments with a single brand: its high-end positioning represents one of the main distinguishing factors of the Company.
The unique characteristics of the product, the constant innovation in the yacht design, always respectful of the Sanlorenzo's tradition, the loyalty of customers, the partnerships with world-renowned designers, the connection with the world of art and culture have allowed the Group to establish itself in the luxury sailing market, where the Sanlorenzo brand is recognised as a sign of excellence and exclusivity.
The business model is based on the construction of a limited number of boats per year, taking care of every detail and relying on a supply chain of over 1,500 highly qualified artisan businesses, mostly located in the Upper Tyrrhenian Sea nautical district, with which the Group maintains long-standing relationships.
Thanks also to the operational execution delegated to highly experienced and skilled artisan businesses, the Group can dedicate itself to the higher value-added stages of production, the liaising with customers, the creation of innovative and sustainable new products, the promotion of the brand and the quality control.

"MADE TO MEASURE"

The Group is characterised by its high level of yacht customisation, starting from the initial phases of design of the interiors and exteriors, in which the customer is involved in from the outset, establishing a close relationship of collaboration and knowledge, even personal, with each owner. The high degree of customisation of the interior and exterior fittings and technological equipment, not just of yachts longer than 40 metres, but also those between 24 and 40 metres, is a distinctive trait of Sanlorenzo in the global luxury sailing landscape. This characteristic is based on the Company's philosophy of guaranteeing its customers with a "made to measure" yacht, also in the smaller models.

"CONNOISSEUR" CUSTOMERS

The "made to measure" approach has allowed the Company to attract loyal and sophisticated customers over the years, composed primarily of connoisseurs. This approach has led, over time, to a high degree loyalty of end customers towards Sanlorenzo.
The Company's loyal customers belong to the social class of the Ultra High Net Worth Individuals (UHNWI), characterised by rates of yachting penetration among the lowest in the luxury segment.

PRODUCTION EXCELLENCE AND FLEXIBILITY

The Group's yachts are created with attention to every detail, in order to maximise quality and comfort for the customer.
The high quality of the features is also guaranteed by long-standing relationships with highly-skilled local handcraft employed in the production process. The Group relies on a network of more than 1,500 specialist contractors, part of an ecosystem of artisan businesses with a long history, largely located on the coast of the Tyrrhenian Sea between La Spezia and Viareggio, a genuine district of nautical excellence.
Thanks to this business structure, unique in the nautical sector, the Group can offer the flexible execution needed to keep the "made to measure, hand-made, well-made" promise for every one of its yachts.

DESIGN AND TECHNOLOGICAL INNOVATION OF YACHTS

The strength of the product is the result of the Group's ability to create yachts that stand out for their iconic and timeless design and that represent the result of the customer-focused customization process.
Furthermore, the Group's yacht range is extensive and diversified in terms of the size and materials used, as well as the characteristics of the various lines, in order to meet the needs of highly sophisticated customers. Thanks to constant investments in research and development by the Group, the Sanlorenzo fleet presents a high degree of innovation which, combined with an iconic and timeless nautical design, makes every yacht produced by the Group immediately recognisable at sea.
In 2020, the Group launched on the market four new models that expand existing product lines: 44Alloy (Alloy Line, Superyacht Division), 62Steel (Steel Line, Superyacht Division), SX112 (SX Line, Yacht Division) and BGX60 (BGX Line, Bluegame Division).
For 2021, the Group is planning the launch of three new models for the Yacht Division (SL90 Asymmetric, SL120 Asymmetric, SD118), the expansion of the BG Line with the BG72 model and the restyling of the SL106 Asymmetric model.
At the Genoa Boat Show, held in October 2020, the Group also presented three new product lines that will be introduced from 2022 onwards:

- The SP (Sustainable Performance) Line for the Yacht Division, with the new SP110 model, which achieves a high performance with the use of technologies with a low environmental impact;
- The X-Space Line for the Superyacht Division, with the 42-meter model, characterized by large volumes, combining autonomy, flexibility and ample space on board;
- The BGM Line for the Bluegame Division, which will see the Group enter the multihull segment.

COLLABORATIONS WITH WORLD-RENOWNED DESIGNERS AND ARCHITECTS

Sanlorenzo works closely with world-renowned designers and architects on both creating the external features of the yachts and on designing the layout and furnishing of the exteriors and the interiors.
To create the external features of the yachts, the Group relies on a single design firm, currently the Zuccon International Project practice, to ensure uniformity and maintain its own distinctive features.
For the layout and fitting of the exteriors and interiors, for more than ten years the Group has maintained strong partnerships with world-renowned architects and designers: these participate in the creation of the first model of each line and make their expertise and professionalism available to owners in building their yachts. These partnerships have involved, among others, Rodolfo Dordoni, Piero Lissoni, Patricia Urquiola, Antonio Citterio and Patricia Viel, John Pawson and Christian Liagre.
The high level of the design and innovation of the yachts that characterize the Group's activities has been recognized by sector operators, owners and the specialized press which, over the years, have awarded the Group's products many awards and recognitions. In particular, in 2020 the BGX70 model was recognized as "Best Custom Yacht" at the Motor Boat Awards, the coveted prizes organized by the British magazine Motor Boat & Yachting during the Düsseldorf show and "Best Comeback 2020" by Robb Report. In addition, in the same year, at the World Yachts Trophies 2020, the Sanlorenzo SL96 Asymmetric models received the "Best Layout" prize and 44Alloy the "Best Exterior Design" prize.

COMMUNICATION WITH A NEW LANGUAGE AND CONNECTION WITH ART AND CULTURE

The Group has adopted an experiential communication and marketing strategy, focused on manufacturing exclusivity, high quality, design and elegance of the yachts, combined with the exclusivity of the relationship with the customer, the central focus of a totally personalised and engaging experience.
Among the most important recent initiatives developed in a partnership with Piero Lissoni, we should mention the launch of the Almanac - publications created specifically by various artists on the themes that are the hallmark of Sanlorenzo, which are gifted at the end of each year to owners of Sanlorenzo yachts - and the Log Books of presentation of the Group, the update of the stands at the main global boat trade fairs, and the organisation of the "Elite Days" events, with the participation of customers coming from all over the world.
The initiatives in the art and design world involving Sanlorenzo include:

- the exclusive global agreement for the sailing world with Art Basel, which sees Sanlorenzo's participation in contemporary art events organised every year by Art Basel in Basel, Miami and Hong Kong;
- the participation and staging of exhibitions by Sanlorenzo at major events like the Venice Biennale and Milan Design Week.

In January 2020, Sanlorenzo started a multi-year partnership with the Peggy Guggenheim Collection in Venice as Institutional Patron. In September 2020, Sanlorenzo was also awarded the Compasso d'Oro ADI, the oldest and most authoritative design award, for the installation "Il mare a Milano", set up in 2017 at the Milan Triennale.

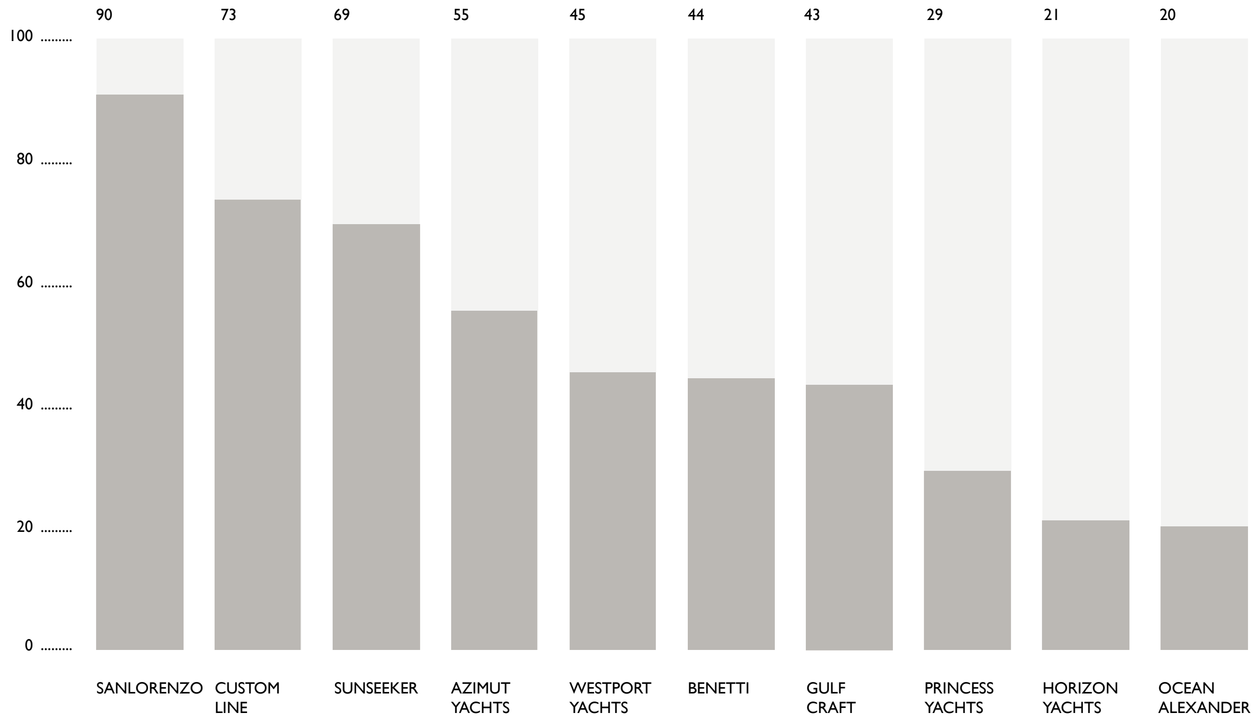

SANLORENZO

Competitive positioning of the brand

Sanlorenzo is the leading brand at the world level in terms of number of yachts between 30 and 40 metres delivered between 2009 and 2019[5], with a market share of 18%.[6]

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

As per early october 2019



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

In the annual ranking of the Global Order Book prepared by the magazine Boat International, Sanlorenzo was confirmed as the first monobrand yacht builder in the world for the production of yachts and superyachts over 24 meters and the second yacht builder in the world, with 86 yachts under construction in 2020 equivalent to 3,089 meters in length.[7]

TOP BUILDERS BY LENGHT

2021 RANK	COMPANY	TOTAL LENGHT (M)	NUMBER OF PROJECTS	AVERAGE LENGTH (M)	NUMBER OF PROJECTS 2020	2020 RANK
1	Azimut-Benetti	3,521	100	35.2	101	1
2	**Sanlorenzo**	**3,089**	**86**	**35.9**	**87**	**2**
3	Feadship	1,162	17	68.4	16	3
4	Ocean Alexander	1,119	35	32.0	31	7
5	Lürssen	1,049	9	116.6	9	5
6	Damen Yachting	1,028	15	68.5	14	6
7	Horizon	721	25	28.8	24	9
8	Overmarine	692	16	43.3	12	10
9	The Italian Sea Group	688	12	57.3	5	New entry
10	Heesen Yachts	626	11	56.9	13	8
11	Oceanco	566	5	113.2	3	15
12	Bilgin Yachts	499	7	71.3	5	13
13	Palumbo	442	11	40.2	8	18
14	Baglietto	422	10	42.2	10	11
15	Turquoise Yachts	334	5	66.8	6	14
16	Cantiere delle Marche	329	9	36.6	9	17
17	Heysea Yachts	315	9	35.0	11	12

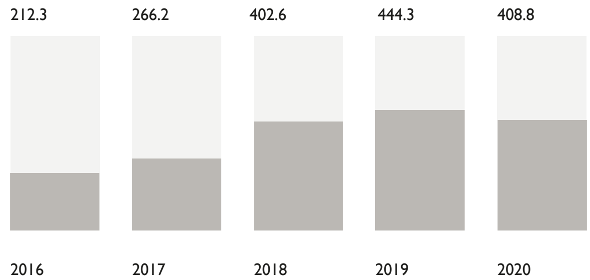
The decision to remove the Ferretti Group, Princess and Sunseeker from this table was taken as we were unable to independently verify their total length of construction, despite being able to make an educated estimate based on launches, published results, financial declarations and investigations in other parts of the industry. For these builders, we have kept our estimates for their total length of production in the totals for their respective countries. We acknowledge a margin of error of +/- 5 per cent for these estimates. The Ferretti Group, Sunseeker and Princess figures in the 2021 Global Order Book are solely prepared by and are the copyrighted property of BOAT International Media.

7 *Source: Global Order Book 2021, Showboats International.*

financial highlights[8]

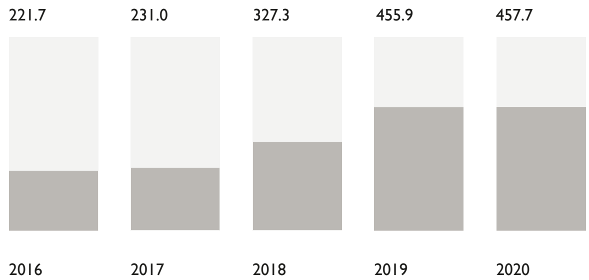
BACKLOG

(in € milion)



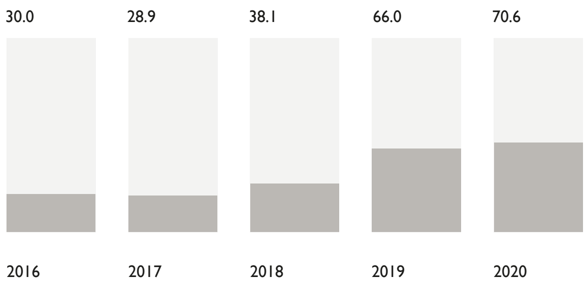
NET REVENUES NEW YACHTS

(in € milion)



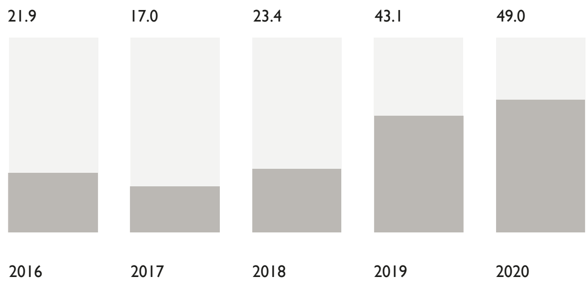
ADJUSTED EBITDA

(in € milion)



EBIT

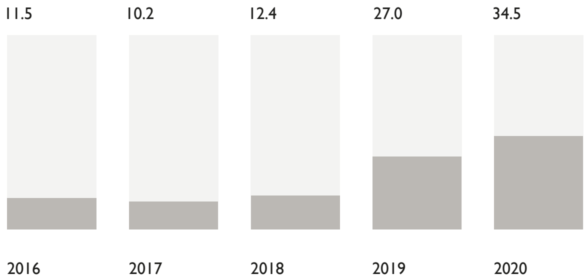
(in € milion)



[8] *For a description of the methods of calculating the indicators presented, please refer to the following paragraphs "Main alternative performance indicators" and "Backlog performance".*

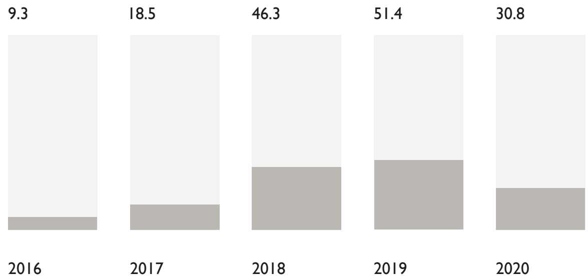
GROUP NET PROFIT

(in € milion)



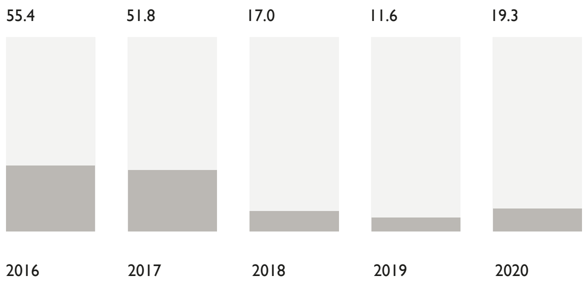
INVESTMENTS

(in € milion)



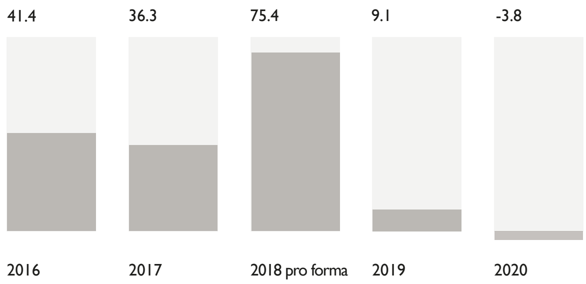
NET WORKING CAPITAL

(in € milion)



NET FINANCIAL POSITION

(in € milion)



operating performance of Sanlorenzo group

MAIN ALTERNATIVE PERFORMANCE INDICATORS

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

- Value of production: indicates the algebraic sum of the revenues from contracts with customers net of the commissions paid, the change in inventories of work in progress, semi-finished and finished products, other income and capitalised costs of own work;
- Net Revenues New Yachts: calculated as the algebraic sum of revenues from contracts with customers relating to new yachts net of commissions. Based on the IFRS, the sale price of the new yachts and, therefore, also the calculation of the associated revenues includes the difference between the value attributed contractually to the pre-owned boats subject to exchange and their relative fair value;
- EBITDA: is represented by the Operating profit/loss (EBIT) before amortisation/depreciation;
- EBITDA margin: the ratio between EBITDA and Net Revenues New Yachts;
- Adjusted EBITDA: represented by the Operating profit/loss (EBIT) before amortisation/depreciation adjusted for non-recurring items;

- Adjusted EBITDA margin: the ratio between Adjusted EBITDA and Net Revenues New Yachts;
- Net fixed capital: calculated as the sum of goodwill, intangible assets with a definite useful life, property, plant and equipment and net deferred tax assets;
- Net working capital: calculated as the sum of trade receivables, contract assets, inventories and other current assets, net of trade payables, contract liabilities, provisions for current risks and charges and other current liabilities;
- Net trade working capital: calculated as the sum of trade receivables, contract assets and inventories, net of trade payables and contract liabilities;
- Net invested capital: calculated as the sum of net fixed capital and net working capital;
- Investments: increases in property, plant and equipment and intangible assets with a definite useful life;
- Net financial position: calculated as the sum of current and non-current bank payables and other current and non-current financial payables including the fair value (if negative) of derivative instruments, net of cash and cash equivalents and other current financial assets, including the fair value (if positive) of hedging derivatives.

BACKLOG PERFORMANCE

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

The table below shows the Group's backlog performance as at 31 December 2020, with the comparative figures as at 31 December 2019:

(€'000)	Year ended 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Gross backlog	866,464	900,242	(33,778)	-3.8%
Net Revenues New Yachts of the year	457,703	455,935	1,768	+0.4%
Net backlog	**408,761**	**444,307**	**(35,546)**	**-8.0%**
Of which next year	*305,072*	*327,800*	*(22,728)*	*-6.9%*
Of which subsequent years	*103,689*	*116,507*	*(12,818)*	*-11.0%*

The backlog as at 31 December 2020 was equal to €408,761 thousand against €444,307 thousand as at 31 December 2019. The value was down by 8.0% compared to the end of the previous year, as a result of the restrictive measures linked to the pandemic, including 45 lockdown days from 22 March to 5 May 2020 and the cancellation of almost all of boat shows globally, with the exception of those in Genoa and Fort Lauderdale.

The backlog performance benefited of a strong acceleration in the signing of new orders in the fourth quarter of the year, which saw an order intake of €196,277 thousand, thanks to a good recovery of the market and the success of the new models launched during the year, as well as the targeted sales and marketing initiatives undertaken by the Group.

CONSOLIDATED RESULTS

Reclassified income statement

The table below shows the consolidated income statement data as at 31 December 2020, compared with the data from the previous year.

(€'000)	Year ended 31 December				Change	
	2020	% Net Revenues New Yachts	2019	% Net Revenues	2020 vs. 2019	2020 vs. 2019%
New Yachts	**2020 vs. 2019**	**2020 vs. 2019%**	**455.935**	**100,0%**	**1.768**	**+0,4%**
Net Revenues New Yachts	457,703	100.0%	455,935	100.0%	1,768	+0.4%
Net revenues from pre-owned boats, maintenance and other services	69,765	15.2%	50,309	11.0%	19,456	+38.7%
Other income	5,728	1.3%	3,445	0.8%	2,283	+66.3%
Operating costs	**(462,561)**	**(101.1)%**	**(443,671)**	**(97.3)%**	**(18,890)**	**+4.3%**
Adjusted EBITDA	70,635	15.4%	66,018	14.5%	4,617	+7.0%
Non-recurring costs	**(1,399)**	**(0.3)%**	**(6,054)**	**(1.3)%**	**4,655**	**-76.9%**
EBITDA	69,236	15.1%	59,964	13.2%	9,272	+15.5%
Depreciation and amortisation	**(20,208)**	**(4.4)%**	**(16,868)**	**(3.7)%**	**(3,340)**	**+19.8%**
EBIT	49,028	10.7%	43,096	9.5%	5,932	+13.8%
Net financial expense	(2,174)	(0.5)%	(5,251)	(1.2)%	3,077	-58.6%
Adjustments to financial assets	**34**	**0.0%**	**32**	**0.0%**	**2**	**+6.3%**
Pre-tax profit	46,888	10.2%	37,877	8.3%	9,011	+23.8%
Income taxes	**(12,480)**	**(2.7)%**	**(11,059)**	**(2.4)%**	**(1,421)**	**+12.8%**
Net profit[9]	34,408	7.5%	26,818	5.9%	7,590	+28.3%
Net (profit)/loss attributable to non-controlling interests	**100**	**0.0%**	**212**	**0.0%**	**(112)**	**-52.8%**
Group net profit	**34,508**	**7.5%**	**27,030**	**5.9%**	**7,478**	**+27.7%**

[9] *Profit/Loss.*

Value of production

The following table provides a breakdown of the value of production as at 31 December 2020, compared to 31 December 2019.

(€'000)	Year ended 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Revenues	548,803	518,991	29,812	+5.7%
Commissions	(21,335)	(12,747)	(8,588)	+67.4%
Change in inventories of work in progress, semi-finished and finished products	23,457	26,297	(2,840)	-10.8%
Other income	5,728	3,445	2,283	+66.3%
Capitalised costs for own work	1,904	1,952	(48)	-2.5%
Value of production	**558,557**	**537,938**	**20,619**	**+3.8%**

The value of production as at 31 December 2020 was equal to €558,557 thousand, reflecting an increase of 3.8% compared to the previous year, primarily due to the increase in revenues.

Net Revenues New Yachts

The following table shows the calculation of the Net Revenues from new yachts as at 31 December 2020, compared to 31 December 2019.

(€'000)	Year ended 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Revenue from contracts with customers (new boats)	476,354	467,982	8,372	+1.8%
Commissions (new boats)	(18,651)	(12,047)	(6,604)	+54.8%
Net Revenues New Yachts	**457,703**	**455,935**	**1,768**	**+0.4%**

Net Revenues New Yachts as at 31 December 2020 recorded an increase of 0.4% compared to the previous year, sitting at €457,703 thousand, against €455,935 thousand as at 31 December 2019. This result is also influenced by the steadiness of sale prices, made possible by the high-end positioning of the brand, and by a product mix with an increased incidence of larger yachts for the Yacht and Bluegame divisions.

Net Revenues New Yachts by division

The table below provides a breakdown of Group Net Revenues New Yachts for each division in the year ended 31 December 2020, compared with 31 December 2019.

(€'000)	Year ended 31 December				Change	
	2020	% of total	2019	% of total	2020 vs. 2019	2020 vs. 2019%
Yacht Division	292,790	64.0%	289,945	63.6%	2,845	+1.0%
Superyacht Division	135,794	29.7%	150,016	32.9%	(14,222)	-9.5%
Bluegame Division	29,119	6.3%	15,974	3.5%	13,145	+82.3%
Net Revenues New Yachts	**457,703**	**100.0%**	**455,935**	**100.0%**	**1,768**	**+0.4%**

The Yacht Division generated Net Revenues New Yachts of €292,790 thousand, equal to 64.0% of the total, with a 1.0% increase on 2019, boosted by sales of larger yachts.

Net Revenues New Yachts of the Superyachts Division were equal to €135,794 thousand, equal to 29.7% of the total, down by 9.5% compared to 2019, due to the travel restrictions, which slowed down the validation of work in progress by surveyors and owner's representatives, a typical step in the construction of larger yachts.

The Bluegame Division recorded Net Revenues New Yachts of €29,119 thousand, equal to 6.3% of the total, up by 82.3% on 2019, thanks to the excellent sales of the new BGX line, with the introduction of the second BGX60 model, launched in 2020.

Net Revenues New Yachts by geographical area

The table below gives the breakdown of Net Revenues New Yachts of the Group for each geographical area in the year ended 31 December 2020, compared with 31 December 2019.

(€'000)	Year ended 31 December				Change	
	2020	% of total	2019	% of total	2020 vs. 2019	2020 vs. 2019%
Europe	234,090	51.1%	279,578	61.3%	(45,488)	-16.3%
APAC	103,661	22.7%	73,007	16.0%	30,654	+42.0%
Americas	82,807	18.1%	71,744	15.8%	11,063	+15.4%
Middle East and Africa	37,145	8.1%	31,606	6.9%	5,539	+17.5%
Net Revenues New Yachts	**457,703**	**100.0%**	**455,935**	**100.0%**	**1,768**	**+0.4%**

Europe recorded Net Revenues New Yachts of €234,090 thousand (of which €63,077 thousand generated in Italy), equal to 51.1% of the total, down by 16.3% compared to 2019 due to the effects of the restrictions undertaken to contain to the pandemic.

The APAC area recorded Net Revenues New Yachts of €103,661 thousand, equal to 22.7% of the total, up by 42.0% compared to 2019, thanks to a good recovery of sales that began in the second quarter and supported by the sales force of the established brand representative of the Group.

The Americas recorded Net Revenues New Yachts of € 82,807 thousand, accounting for 18.1% of the total, up by 15.4% compared to 2019, due to a strong recovery of this market in the fourth quarter, of which the Group was able to take advantage thanks to the direct presence of the subsidiary Sanlorenzo of the Americas LLC.

The Middle East and Africa area recorded Net Revenues New Yachts of €37,145 thousand, equal to 8.1% of the total, up by 17.5% compared to 2019.

Operating results

The following table summarises the operating profit indicators:

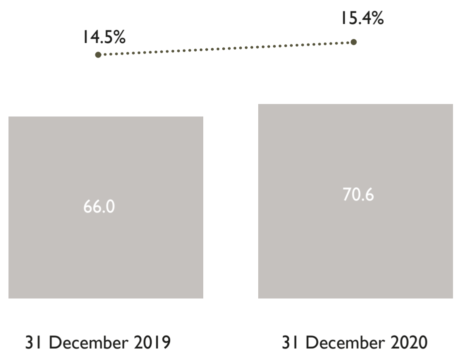
(€'000)	Year ended 31 December				Change	
	2020	% Net Revenues New Yachts	2019	% Net Revenues New Yachts	2020 vs. 2019	2020 vs. 2019%
EBIT	**49,028**	**10.7%**	**43,096**	**9.5%**	**5,932**	**+13.8%**
+ Amortisation/depreciation	20,208	4.4%	16,868	3.7%	3,340	+19.8%
EBITDA	**69,236**	**15.1%**	**59,964**	**13.2%**	**9,272**	**+15.5%**
+ Non-recurring costs[10]	1,399	0.3%	6,054	1.3%	(4,655)	-76.9%
Adjusted EBITDA	**70,635**	**15.4%**	**66,018**	**14.5%**	**4,617**	**+7.0%**

EBIT as at 31 December 2020 was equal to €49,028 thousand, a 13.8% increase on the previous year. The incidence on Net Revenues New Yachts increased from 9.5% in 2019 to 10.7% in 2020.
Amortisation/depreciation, equal to €20,208 thousand, rose by 19.8% compared to 2019, in relation to significant investments made to increase production capacity and develop new products.
EBITDA stood at €69,236 thousand, with a 15.5% increase on 2019; the incidence on Net Revenues New Yachts was equal to 15.1%
EBITDA, adjusted for non-recurring components of €1,399 thousand, mainly representing the non-monetary costs of stock plans and the expenses incurred for COVID-19, reached €70,635 thousand, up by 7.0% on 2019; the margin on Net Revenues New Yachts was equal to 15.4%, against 14.5% in the previous year.
The significant increase in operating margins is a result of the efficiencies generated by the full implementation of new production capacity as a result of the considerable investments made in previous years, which has resulted in a greater absorption of fixed costs.

[10] *Non-recurring components in 2020 refer to the non-monetary costs for stock incentive plans attributable to the period and for expenses incurred for COVID-19. For more details on the 2020 Stock Option Plan, please refer to the section "Significant events occurring during the period". Non-recurring components for 2019 refer entirely to the costs incurred for the IPO transaction.*

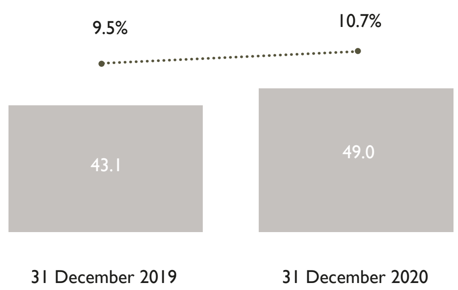
ADJUSTED EBITDA

(in € milion)



EBIT

(in € milion)



Net profit

(€'000)	Year ended 31 December				Change	
	2020	% Net Revenues New Yachts	2019	% Net Revenues New Yachts	2020 vs. 2019	2020 vs. 2019%
EBIT	**49,028**	**10.7%**	**43,096**	**9.5%**	**5,932**	**+13.8%**
Net financial expense	(2,174)	(0.5)%	(5,251)	(1.2)%	3,077	-58.6%
Adjustments to financial assets	34	0.0%	32	0.0%	2	+6.3%
Pre-tax profit	**46,888**	**10.2%**	**37,877**	**8.3%**	**9,011**	**+23.8%**
Income taxes	(12,480)	(2.7)%	(11,059)	(2.4)%	(1,421)	+12.8%
Net profit	**34,408**	**7.5%**	**26,818**	**5.9%**	**7,590**	**+28.3%**
Profit (loss)	100	+0.0%	212	0.0%	(112)	-52.8%
Group net profit	**34,508**	**7.5%**	**27,030**	**5.9%**	**7,478**	**+27.7%**

Net financial charges as at 31 December 2020 were equal to € 2,174 thousand, down 58.6% compared to the previous year, due to lower average borrowing and better financial conditions applied to the Group by the financial institutions.
The pre-tax profit for the year was equal to €46,888 thousand, up by €9,011 thousand, from €37,877 thousand as at 31 December 2019. The margin on Net Revenues New Yachts reached 10.2% at 31 December 2020, against 8.3% in the previous year, with an increase of 1.9 percentage points.
Income taxes as at 31 December 2020 were up by €1,421 thousand, from €11,059 thousand in 2019 to €12,480 thousand in 2020. Income taxes in 2020 represented 26.6% of pre-tax profit, compared to 29.2% in 2019.
Therefore, the Group's net profit for the year was €34,508 thousand, up by 27.7% compared to €27,030 thousand recorded in 2019. The margin on Net Revenues New Yachts increased from 5.9% in 2019 to 7.5% in 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Balance sheet reclassified according to sources and uses

The table below shows the consolidated statement of financial position reclassified by sources and uses as at 31 December 2020, compared with that as at 31 December 2019.

(€'000)	At 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
USES				
Net fixed capital	162,308	148,347	13,961	+9.4%
Net working capital	19,254	11,547	7,707	+66.7%
Net invested capital	**181,562**	**159,894**	**21,668**	**+13.6%**
SOURCES				
Net financial position	(3,829)	9,063	(12,892)	-142.2%
Equity	185,391	150,831	34,560	+22.9%
Total sources	**181,562**	**159,894**	**21,668**	**+13.6%**

Net fixed capital and investments

Net fixed capital

The table below provides a breakdown of net working capital as at 31 December 2020, compared with 31 December 2019.

(€'000)	At 31 December				Change	
	2020	% of total assets	2019	% of total assets	2020 vs. 2019	2020 vs. 2019%
Goodwill	8,667	1.7%	8,667	2.0%	–	–
Intangible assets with a finite useful life	36,434	7.3%	35,404	8.2%	1,030	+2.9%
Property, plant and equipment	112,491	22.4%	102,598	23.7%	9,893	+9.6%
Equity investments and other non-current assets	412	0.1%	379	0.1%	33	+8.7%
Net deferred tax assets	6,538	1.3%	3,008	0.7%	3,530	+117.4%
Non-current employee benefits	(845)	(0.2)%	(796)	(0.2)%	(49)	+6.2%
Non-current provisions for risks and charges	(1,389)	(0.3)%	(913)	(0.2)%	(476)	+52.1%
Net fixed capital	**162,308**	**32.3%**	**148,347**	**34.2%**	**13,961**	**+9.4%**

Net fixed capital as at 31 December 2020 was equal to €162,308 thousand, an increase of €13,961 thousand compared to the end of 2019, mainly due to the investments made during the year, connected to both the development of new models and the expansion in productive capacity. As a percentage of total assets as at 31 December 2020, it was equal to 32.3%, against 34.2% at the end of the previous year.

For more details on the components of Net Fixed Capital, please refer to the Notes to the consolidated financial statements.

Investments

The table below shows the increases in property, plant and equipment and assets with a definite useful life recorded by the Group in the years ended 31 December 2020 and 31 December 2019.

(€'000)	At 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Land and buildings	7,920	6,826	1,094	+16.0%
Industrial equipment	9,161	10,601	(1,440)	-13.6%
Plant and equipment	2,678	1,739	939	+54.0%
Other assets	1,902	4,191	(2,289)	-54.6%
Fixed assets in progress	1,377	12,096	(10,719)	-88.6%
Total increases in property, plant and equipment	**23,038**	**35,453**	**(12,415)**	**-35.0%**
Concessions, licences, trademarks and similar rights	(990%)	10,164	(9,174)	-90.3%
Other assets	–	3	(3)	-100.0%
Development costs	5,919	4,880	1,039	+21.3%
Fixed assets in progress	874	949	(75)	-7.9%
Total increases in intangible assets with a definite useful life	**7,783**	**15,996**	**(8,213)**	**(51.3%)**
Investments in the year	**30,821**	**51,449**	**(20,628)**	**-40.1%**

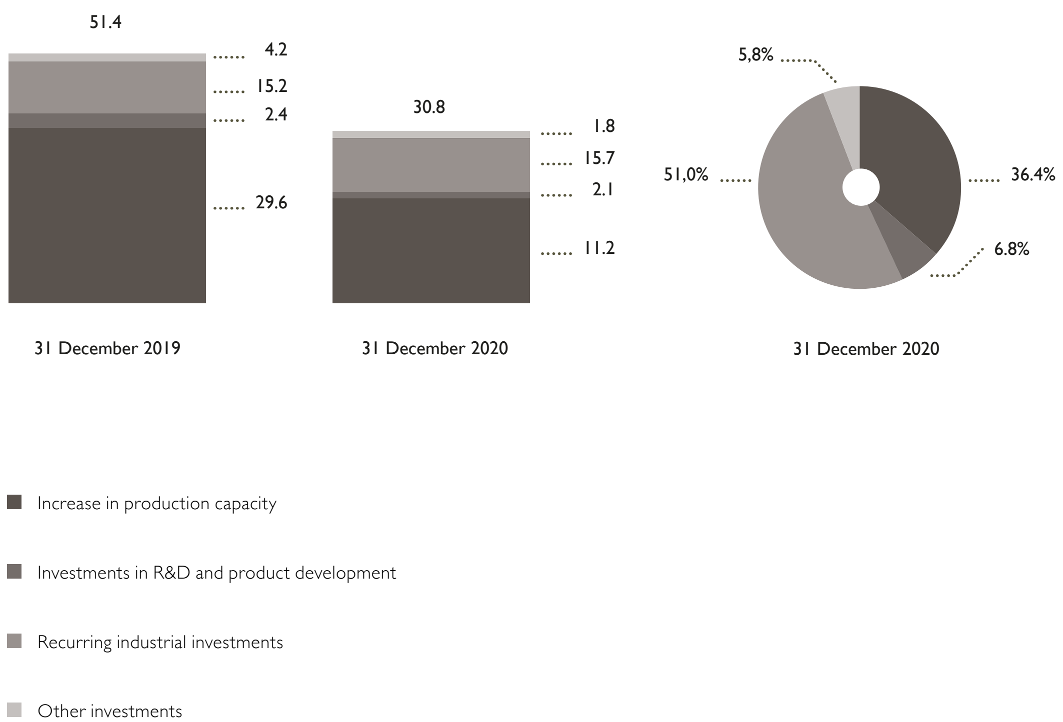
The investments made in 2020 were equal to €30,821 thousand, against €51,449 thousand as at 31 December 2019, of which €15,701 thousand dedicated to product development and the creation of models and moulds, €11,163 thousand connected to the production capacity increase programme launched in 2017, €2,155 thousand linked to recurring industrial investments (equipment and plant) and €1,801 to other investments.

In particular, the investments dedicated to increasing production capacity include the completion of the expansion of the Ameglia site carried out in the first months of the year and the purchase of the Massa plant, previously occupied by virtue of a lease contract, in December.

Investments in research and development for the creation of new products increased by 3.3% compared to the previous year, in line with the strategy adopted, aimed at the expansion of product ranges with the introduction of sustainable innovations and technologies. The significant investments dedicated to the development of new products allowed the launch of four new models in 2020.

BREAKDOWN OF INVESTMENTS BY NATURE

(in € million)



Net working capital

The table below show the detailed breakdown of net working capital as at 31 December 2020, compared with 31 December 2019.

(€'000)	At 31 December				Change	
	2020	% of total assets	2019	% of total assets	2020 vs. 2019	2020 vs. 2019%
Inventories	82,214	16.4%	62,311	14.4%	19,903	+31.9%
Trade receivables	17,233	3.4%	20,269	4.7%	(3,036)	-15.0%
Contract assets	112,938	22.5%	87,889	20.3%	25,049	+28.5%
Trade payables	(137,238)	(27.3)%	(152,189)	(35.1)%	14,951	-9.8%
Contract liabilities	(46,156)	(9.2)%	(19,442)	(4.5)%	(26,714)	+137.4%
Other current assets	30,434	6.1%	46,007	10.6%	(15,573)	-33.8%
Current provisions for risks and charges	(12,679)	(2.5)%	(9,299)	(2.1)%	(3,380)	+36.3%
Other current liabilities	(27,492)	(5.5)%	(23,999)	(5.5)%	(3,493)	+14.6%
Net working capital	**19,254**	**3.8%**	**11,547**	**2.7%**	**7,707**	**+66.7%**

Net working capital as at 31 December 2020 was a positive €19,254 thousand, compared to €11,547 thousand as at 31 December 2019, with an increase of €7,707 thousand.

The breakdown of net trade working capital is provided below:

(€'000)	At 31 December				Change	
	2020	% of total assets	2019	% of total assets	2020 vs. 2019	2020 vs. 2019%
Trade receivables	17,233	3.4%	20,269	4.7%	(3,036)	-15.0%
Contract assets	112,938	22.5%	87,889	20.3%	25,049	+28.5%
Inventories	82,214	16.4%	62,311	14.4%	19,903	+31.9%
Trade payables	(137,238)	(27.3)%	(152,189)	(35.1)%	14,951	-9.8%
Contract liabilities	(46,156)	(9.2)%	(19,442)	(4.5)%	(26,714)	+137.4%
Net trade working capital	**28,991**	**5.8%**	**(1,162)**	**(0.3)%**	**30,153**	**+2,594.9%**

Net trade working capital as at 31 December 2020 was positive for €28,991 thousand compared to €(1,162) thousand as at 31 December 2019.
The table below provides a breakdown of inventories as at 31 December 2020 and 31 December 2019:

(€'000)	At 31 December				Change	
	2020	% of total assets	2019	% of total assets	2020 vs. 2019	2020 vs. 2019%
Raw materials and consumables	6,121	1.2%	6,117	1.4%	4	+0.1%
Work in progress and semi-finished products	45,123	9.0%	32,928	7.6%	12,195	+37.0%
Finished products	30,970	6.2%	23,266	5.4%	7,704	+33.1%
Inventories	**82,214**	**16.4%**	**62,311**	**14.4%**	**19,903**	**+31.9%**

The balance of inventories as at 31 December 2020 was €82,214 thousand, an increase of €19,903 thousand compared to 31 December 2019.
Work in progress and semi-finished products refer to those jobs whose contract with the customer has still not been finalised at the close of the year. The increase recorded between 31 December 2019 and 31 December 2020, equal to €12,195 thousand, is due to the decision by the Group to bring forward the production of semi-finished products, even in the absence of a contract with customers, in anticipation of an increase in the backlog.
Inventories of finished products, equal to €30,970 thousand as at 31 December 2020, were up by €7,704 thousand compared to 31 December 2019. The increase in inventories of pre-owned yachts, in part already sold at the close of the period for delivery in subsequent months for a value of €11,840 thousand, is consistent with planned volumes.

Net financial position

The table below provides a breakdown of the net financial position as at 31 December 2020 and 31 December 2019.

(€'000)		31 December 2020	31 December 2019
A	Cash and cash equivalents	(94,359)	(60,186)
B	Other cash flows	–	–
C	Securities held for trading	–	–
D	**Cash**	**(94,359)**	**(60,186)**
E	**Current financial receivables**	**(647)**	**(6,654)**
F	Current bank payables	218	370
G	Current portion of debt	25,572	17,394
H	Other current financial payables	2,642	1,530
I	**Current financial debt (F + G + H)**	**28,432**	**19,294**
J	**Net current financial debt (I + E + D)**	**(66,574)**	**(47,546)**
K	Non-current bank payables	57,932	54,706
L	Bonds issued	–	–
M	Other non-current payables	4,813	1,903
N	**Non-current financial debt (K + L + M)**	**62,745**	**56,609**
O	**Net financial position**	**(3,829)**	**9,063**

As at 31 December 2020, the Group reported a net cash position of €(3,829) thousand, compared to a net debt position of €9,063 thousand as at 31 December 2019.

More specifically, the current financial debt as at 31 December 2020 was equal to €28.432 thousand, up compared to the €19,294 thousand reported as at 31 December 2019, mainly due to the increase in the current portion of medium-long term loans.

The evolution of net financial indebtedness in 2020 was positively influenced both by the cash generation of operating activities, albeit in a situation conditioned by the restrictive measures due to the pandemic, and by the reduction in investments.

Cash and cash equivalents as at 31 December 2020 were equal to €94,359 thousand, an increase of €34,173 thousand on the €60,186 reported as at 31 December 2019.

The Group has also significant bank credit facilities, the use of which is planned according to financial requirements. As at 31 December 2020, the Group had available bank credit facilities to meet its liquidity needs equal to €134,699 thousand[11], an increase of €52,799 thousand on 31 December 2019, of which €132,872 thousand unused.
The decrease in current financial receivables from €6,654 thousand as at 31 December 2019 to €647 thousand as at 31 December 2020 is primarily due to the release of an escrow account of €6,500 thousand, pledged as guarantee for a loan with Credit Agricole, in the first few days of 2020.

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

Reclassified statement of cash flows

The table below shows the reclassified statement of cash flows as at 31 December 2020 compared with the data of the previous year, with a breakdown of the change in the net financial position during the period.

(€'000)	31 December 2020	31 December 2019
EBITDA	69,236	59,964
Taxes paid	(11,288)	(8,788)
Changes in inventories	(19,903)	(22,988)
Change in net contract assets and liabilities	1,665	(26,610)
Change in trade receivables and payments on account to suppliers	1,648	8,689
Change in trade payables	(14,951)	38,870
Change in provisions and other assets and liabilities	19,592	4,051
Operating cash flow	**45,999**	**53,187**
Change in non-current assets (capex)	(30,821)	(51,447)
Business acquisitions and other changes	(251)	201
Free cash flow	**14,927**	**1,941**
Interest and financial charges	(2,187)	(5,292)
Other changes in equity	152	17,251
Change in net financial position	**12,892**	**13,900**
Net financial position at the beginning of the period	9,063	22,963
Net financial position at the end of the period	(3,829)	9,063

Equity

The breakdown of equity as at 31 December 2020 and 31 December 2019 is provided below.

(€'000)	31 December 2020	31 December 2019
Share Capital	34,500	34,500
Reserves	116,738	91,756
Group profit	34,508	27,030
Group equity	**185,746**	**153,286**
Equity attributable to non-controlling interests	(355)	(2,455)
Equity	**185,391**	**150,831**

The Parent Company's share capital as at 31 December 2020 amounts to €34,500 thousand, fully paid-in, and is composed of 34,500,000 ordinary shares, unchanged compared to 31 December 2019.

On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo S.p.A. approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan. This capital increase has not yet been subscribed, not even partially.

On 24 September 2020, the Company launched the treasury share purchase programme based on the authorisation resolution approved by the Ordinary Shareholders' Meeting of 31 August 2020. As a result of the share purchases since the programme launch, the Company held 58,666 treasury shares as at 31 December 2020, equal to 0.170% of the subscribed and paid-in share capital.

For a comprehensive description of the changes in Equity, please refer to the appropriate table in the financial statements and the notes to the financial statements.

CONSOLIDATED ECONOMIC AND FINANCIAL INDICATORS

Profitability ratios

	31 December 2020	31 December 2019
ROE – Net income for the year/Average equity in the year	20.5%	20.8%
ROI – EBIT/Average net invested capital in the year	28.7%	29.8%
ROS – EBIT/Net Revenues New Yachts	10.7%	9.5%

Capital solidity ratios

	31 December 2020	31 December 2019
Elasticity of investments - Current assets/Uses	2.9	1.8
Financial independence ratio - Equity/Net financial position	-48.4	16.6
Current liquidity ratio - Current assets/Current liabilities	1.3	1.3

Turnover ratios

	31 December 2020	31 December 2019
Invested capital turnover rate - Revenues/Total assets	1.1	1.2
Average days of inventory - Inventories/Revenues * 360	53.9	43.2
DSO - Trade receivables/Revenues * 360	11.3	14.1
DPO - Trade payables/Operating costs * 360	106.5	121.8

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

ECONOMIC PERFORMANCE OF SANLORENZO S.P.A.

The table below shows the economic performance of the Parent Company as at 31 December 2020, compared with the data as at 31 December 2019.

(€'000)	Year ended 31 December				Change	
	2020	% Net Revenues New Yachts	2019	% Net Revenues New Yachts	2020 vs. 2019	2020 vs. 2019%
Net Revenues New Yachts	**413,258**	**100.0%**	**425,478**	**100.0%**	**(12,220)**	**-2.9%**
Net revenues from pre-owned boats, maintenance and other services	50,920	12.3%	47,623	11.2%	3,297	+6.9%
Other income	5,004	1.2%	3,411	0.8%	1,593	+46.7%
Operating costs	(403,096)	(97.5)%	(410,817)	(96.6)%	7,721	-1.9%
Adjusted EBITDA	**66,086**	**16.0%**	**65,695**	**15.4%**	**391**	**+0.6%**
Non-recurring costs	(1,399)	(0.3)%	(6,054)	(1.4)%	4,655	-76.9%
EBITDA	**64,687**	**15.7%**	**59,641**	**14.0%**	**5,046**	**+8.5%**
Amortisation, depreciation and impairment losses	(17,842)	(4.3)%	(14,518)	(3.4)%	(3,324)	+22.9%
EBIT	**46,845**	**11.4%**	**45,123**	**10.6%**	**1,722**	**+3.8%**
Net financial expense	(1,532)	(0.4)%	(4,877)	(1.1)%	3,345	-68.6%
Adjustments to financial assets	–	–	19	0.0%	(19)	-100.0%
Pre-tax profit	**45,313**	**11.0%**	**40,265**	**9.5%**	**5,048**	**+12.5%**
Income taxes	(11,316)	(2.8)%	(11,206)	(2.6)%	(110)	+1.0%
Net profit	**33,997**	**8.2%**	**29,059**	**6.8%**	**4,938**	**+17.0%**

Net Revenues New Yachts of the Parent Company as at 31 December 2020 were equal to €413,258 thousand, a 2.9 decrease compared to the €425,478 thousand reported in 2019.
Operating costs were equal to €403,096 thousand, in percentage of Net Revenues New Yachts 97.5%, down by 1.9% compared to € 410,817 thousand in 2019.
Adjusted EBITDA was equal to €66,086 thousand, up by 0.6% compared to the €65,695 thousand reported in 2019, and equal to 16.0% of Net Revenues New Yachts. Also considering non-recurring items, equal to €1,399 thousand, relating to the non-monetary costs of the share plans and the expenses incurred because of COVID-19, the EBITDA as at 31 December 2020 was equal to €64,687 thousand, equal to 15.7% of the Net Revenues New Yachts, marking an increase of €5,046 thousand (8.5%) compared to 2019.
Amortisation/depreciation, amounting to €17,842 thousand, increased by 22.9% on 2019 as the investments made in previous years have been coming on stream.
EBIT as at 31 December 2020 was equal to €46,845 thousand, an increase of 3.8% compared to the previous year, representing 11.4% of Net Revenues New Yachts.
Net financial charges as at 31 December 2020 were equal to €1,532 thousand, down by €3,345 compared to 2019, due to lower average borrowing and better financial conditions applied to the Group by the financial institutions.
Pre-tax profits for the year came to €45,313 thousand, up by €5,048 thousand, from €40,265 thousand as at 31 December 2019. Income taxes as at 31 December 2020 rose by €110 thousand, from €11,206 thousand in 2019 to €11,316 thousand in 2020.
In light of the above, the net profit for the year of Sanlorenzo S.p.A. came to €33,997 thousand, equal to 8.2% of Net Revenues New Yachts, with an increase of €4,938 thousand compared to 2019, equal to 17.0%.

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

The table below shows the Parent Company's statement of financial position reclassified by sources and uses as at 31 December 2020, compared with that of 31 December 2019.

(€'000)	At 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
USES				
Net fixed capital	160,880	147,768	13,112	+8.9%
Net working capital	18,702	9,768	8,934	+91.5%
Net invested capital	**179,582**	**157,536**	**22,046**	**+14.0%**
SOURCES				
Net financial position	(12,811)	(1,013)	(11,798)	+1,164.7%
Equity	192,393	158,549	33,844	+21.3%
Total sources	**179,582**	**157,536**	**22,046**	**+14.0%**

Net fixed capital as at 31 December 2020 was equal to €160,880 thousand, a €13,112 thousand increase on the end of 2019, mainly due to the investments made during the year, connected to both the expansion in productive capacity and the development of new models.

Net working capital as at 31 December 2020 was positive for €18,702 thousand, against €9,768 thousand as at 31 December 2019, marking an increase of €8,934 thousand.

Net financial position as at 31 December 2020 showed a net cash position of €12,811 thousand, compared to a net debt position of €1,013 thousand as at 31 December 2019.

The table below provides a breakdown of the net financial position of the Parent Company as at 31 December 2020 and as at 31 December 2019, with details of the intra-group positions.

(€'000)		At 31 December			
		2020	of which intra-group	2019	of which intra-group
A	Cash and cash equivalents	(91,288)	–	(55,338)	–
B	Other cash flows	–	–	–	–
C	Securities held for trading	–	–	–	–
D	**Cash**	**(91,288)**	**–**	**(55,338)**	**–**
E	**Current financial receivables**	**(5,405)**	**(4,758)**	**(20,833)**	**(14,180)**
F	Current bank payables	214	–	365	–
G	Current portion of debt	23,374	–	17,306	–
H	Other current financial payables	2,103	–	1,242	–
I	**Current financial debt (F + G + H)**	**25,691**	**–**	**18,913**	**–**
J	**Net current financial debt (I + E + D)**	**(71,002)**	**(4,758)**	**(57,258)**	**(14,180)**
K	Non-current bank payables	53,708	–	54,607	–
L	Bonds issued	–	–	–	–
M	Other non-current payables	4,483	–	1,638	–
N	**Non-current financial debt (K + L + M)**	**58,191**	**–**	**56,245**	**–**
O	**Net financial position**	**(12,811)**	**(4,758)**	**(1,013)**	**(14,180)**

The decrease in current financial receivables from €20,833 thousand as at 31 December 2019 to €5,405 thousand as at 31 December 2020 is due to the repayment of loans granted to subsidiaries and to the release of an escrow account of €6,500 thousand, pledged as guarantee for a loan with Credit Agricole, in the first few days of 2020.

The table below shows the reclassified statement of cash flows as at 31 December 2020 compared with the data of the previous year, with a breakdown of the change in the net financial position during the period.

(€'000)	31 December 2020	31 December 2019
EBITDA	64,687	59,641
Taxes paid	(10,857)	(8,788)
Changes in inventories	(17,414)	(27,336)
Change in net contract assets and liabilities	210	(27,952)
Change in trade receivables and payments on account to suppliers	11,545	18,841
Change in trade payables	(19,569)	37,777
Change in provisions and other assets and liabilities	12,404	1,449
Operating cash flow	**41,006**	**53,632**
Fixed asset change (capex)	(26,873)	(47,708)
Business acquisitions and other changes	(204)	214
Free cash flow	**13,929**	**6,138**
Interest and financial charges	(1,978)	(5,179)
Other changes in equity	1,873	15,498
Change in net financial position	**13,824**	**16,457**
Net financial position at the beginning of the period	1,013	17,470
Net financial position at the end of the period	(12,811)	1,013

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

Pursuant to Consob communication no. DEM/6064293 of 28 July 2006, the table of reconciliation between the equity and profit/loss for the year of the Parent Company and corresponding consolidated values is provided below.

(€'000)	31 December 2020		31 December 2019	
	Equity	Net profit/ loss	Equity	Net profit/ loss
Financial statements of the Parent Company	**192,393**	**33,997**	**158,549**	**29,059**
Difference between the equity of the consolidated equity investments and the carrying amount of equity investments	(3,491)	1,116	(3,272)	(1,169)
Elimination of effects of intra-group transactions	(796)	–	(172)	36
Consolidation adjustments	(3,684)	(1,624)	(2,073)	(1,075)
Translation reserve	1,324	919	254	179
Total pertaining to the Group	**185,746**	**34,408**	**153,286**	**27,030**
Equity and net profit/loss attributable to non-controlling interests	(355)	100	(2,455)	212
Total consolidated financial statements	**185,391**	**34,508**	**150,831**	**26,818**

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

MARKET AND OPERATIONAL RISKS

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

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

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

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

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

The pursuit of the strategy to increase the productive capacity also depends on an expansion of the existing shipyards, or the identification of new production areas to acquire. The Group cannot rule out that it might be unable to promptly and effectively complete ongoing projects or to identify and carry out adequate investments and that, where realised, said investments might not generate a sufficient return.

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

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

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

The Group uses suppliers and contractors to obtain components or services necessary to build its yachts. The Group adopts and imposes the highest production standards in order to ensure its customers delivery of yachts of the utmost quality and reliability. However, the Group cannot overlook the fact that suppliers and contractors may not observe the Group's quality standards, as well as the relevant regulations applied to them, may deliver defective raw materials or products or that do not meet the agreed technical specifications, or carry out works that do not conform to the technical specifications or state of the art, or may be unable to deliver the latter within the times established beforehand for any reason.
For this reason, the Group might be unable to meet the demand for its products or deliver defective or faulty final products, or be late in its deliveries, or receive requests to terminate contracts already in the process of being executed, requests for compensation for damages owing to liability for defective or hazardous products or for the payment of contractual penalties where set forth in the sale contracts, as well as requests to return yachts already delivered, with an increase in costs for the Group and possible damage to its reputation.
The Group may also receive requests for the replacement of defective components; in this case, the Group cannot rule out being involved in settlements in the future, with the payment of compensation, or in judicial proceedings in which it is defendant.

Risks relating to extraordinary events which may lead to suspensions of activities and the operations of the production facilities

Sanlorenzo is exposed to the risk of having to interrupt or suspend its production activities due to events out of its control, such as the revocation of permits and authorisations, natural catastrophes, epidemics. In consideration of the location of the Parent Company's production sites, situated in proximity to waterways and water basins or on the sea, the latter is exposed to the risk that natural disasters (such as floods, river overflow, seaquakes) could compromise all or part of its operations.
The interdependence between the activities carried out at the production sites of Yacht Division (Ameglia, Viareggio, Massa), also involves a risk that the event, which stunts the activities of one of the shipyards, may have repercussions for the activities of the other sites, with a subsequent impact on overall production.
The restoration of the facilities following prejudicial extraordinary events could cause an increase in costs, the incurring of potential losses, as well as the need to modify the Group's investments plan.

Risks connected with the operating relationship with the representative brands

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

Risks related to changes in the reference regulatory framework

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

FINANCIAL RISKS

Credit risk

Given the characteristics of the products sold, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires the full payment to be executed on or before the delivery of the boat and the related transfer of ownership.
Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Group business, the Group improved the prevention and monitoring processes, using external sources and internal systems that allow preventive controls on customers' reliability and solvency.

Liquidity risk

The Group is exposed to liquidity risk, also due to the seasonal nature and concentration of the collection of orders and the deliveries in given periods of the year.

Contracts for the sale of bespoke yachts to end customers are signed mainly in spring and autumn, periods in which the major trade fairs in the industry are also concentrated. Yacht deliveries are concentrated in the April-July period, especially in European countries, while yacht deliveries in the APAC and Americas markets are distributed throughout the year.

The concentration of the collection of orders and deliveries in European countries in given periods of the year, against the constant flow of payments to Group suppliers and contractors, has an impact on liquidity, normally higher between April and July and less so in the first quarter of the year, the period in which financial debt (comprised of short-term loans or contract advances) is higher as a result of the lower flow of collections.

The Group therefore performs careful financial planning in order to reduce liquidity risk and has acquired significant bank credit facilities, whose use is planned on the basis of financial requirements. As at 31 December 2020, the Group had access to bank credit facilities to meet its liquidity requirements equal to €134,699 thousand[12], a €52,799 thousand increase on 31 December 2019, of which €132,872 thousand unused.

Exposure to the fluctuation in interest rates

The Group is exposed to fluctuations in interest rates on its variable-rate debt securities and adopts precise strategies aimed at reducing the risks connected with changes in interest rates, such as hedging transactions through interest rate swaps or interest rate caps with financial counterparties of prime standing.

Should interest rate fluctuations occur in the future, there might be an increase in financial charges due to the residual debt issued at a floating rate.

Exposure to the fluctuation in exchange rates

The Group's exposure to foreign exchange risk is limited, as the Euro is the currency primarily used for the sale of yachts. For the residual, sales of yachts in other currencies represent contracts denominated in US Dollars.

In order to mitigate this risk, the Company also adopts strategies to hedge expected US Dollar revenues through derivative transactions (forward sale contracts of foreign currency). Nonetheless, the Group cannot rule out that future significant changes in exchange rates might have a negative impact on the economic and financial position of the Group.

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

RISKS RELATED TO DISPUTES AND TAX AUDITS

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

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

- two assessment notices regarding direct taxes and VAT relating to the tax years 2013 and 2014 as a result of the tax audits carried out by the tax authority of the region of Liguria for said tax periods; the Company took steps to arrange its defence at judicial and administrative proceedings, and, in regard to the tax year 2013, obtained a favourable judgement from the tax commission of the province of Genoa on the main findings concerning the VAT;
- a formal invitation to join the tax audit conclusions for direct taxes and VAT in 2015, following the conclusion of audits carried out by the tax authority of the region of Liguria;
- a formal notice of findings for direct taxes and VAT in 2016, following the conclusion of audits carried out the tax authority of the region of Liguria.

To cover the related risks, the Company has a provision for risks and charges of €2,589 thousand in place as at 31 December 2020.

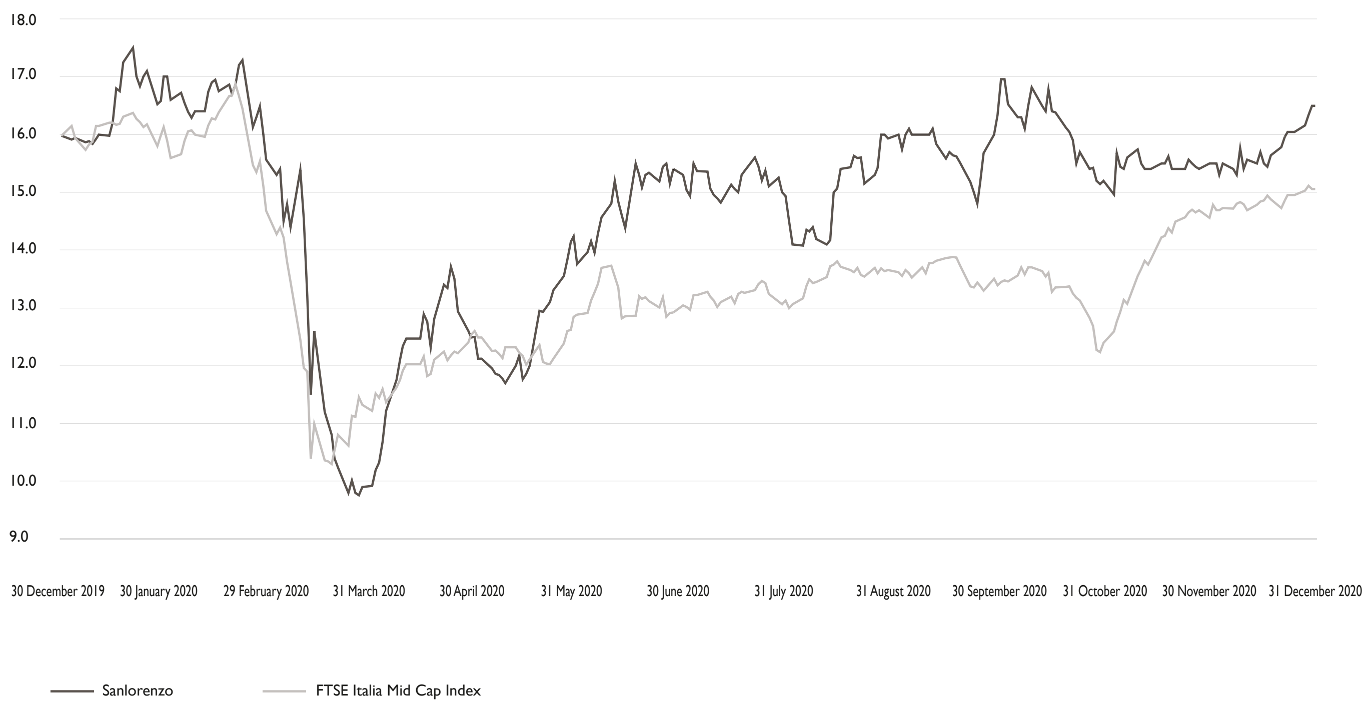
For more details regarding administrative, judicial and arbitration proceedings in which the Group is a party, please refer to the associated notes to the financial statements in the Consolidated Financial Statements and the Separate Financial Statements contained in this Financial Report.

Sanlorenzo in the stock exchange

SHARE PERFORMANCE

On 10 December 2019, the trading of the Company's shares on the STAR segment of Mercato Telematico Azionario (MTA) (screen-based market) organised and managed by Borsa Italiana S.p.A. began. The initial offer price was €16.00 per share. The following table and graph show the performance of the shares in 2020.

	Euro	Date
IPO price	16.00	10-Dec-19
Minimum closing price	9.76	26-Mar-20
Maximum closing price	17.50	20-Jan-20
Closing price	16.50	31-Dec-20
Number of shares	34,500,000	31-Dec-20
Capitalization	569,250,000	31-Dec-20



On 31 December 2020, the closing price of the shares was €16.50, for a total capitalisation of €569,250 thousand.
In 2020, the Sanlorenzo share price recorded a 3.3% increase, outperforming the FTSE Italia Mid Cap index by 9.6%.

SHAREHOLDING STRUCTURE

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

Shareholder	No. ordinary shares	%
Massimo Perotti (Holding Happy Life S.r.l.)	21,644,023	62.74%
JP Morgan Asset Management Holdings Inc.	1,717,314	4.98%
Templeton Investment Counsel LLC	1,658,760	4.81%
Ferruccio Rossi	540,000	1.57%
Marco Viti	480,000	1.39%
Carla Demaria	356,056	1.03%
Treasury shares	58,666	0.17%
Market	8,045,181	23.32%
TOTAL	**34,500,000**	**100.00%**

Last update: 1 March 2021.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information on the non-financial statement

In compliance with the provisions of Article 5, par. 3(b) of Italian Legislative Decree 254/2016, the Company has prepared the non-financial disclosure, which constitutes a separate report.
The 2020 non-financial statement, prepared according to the "GRI Standards" and approved by the Board of Directors on 16 March 2021, can be found on the Company's website www.sanlorenzoyacht.com in the "Investors / Results and financial documents" section.

research and development activities

Research and development activities play a central role in the Group's business model and aim at creating products with a high innovative content from a design, technology and environmental sustainability perspective, able to meet the needs of its customers.
The table below shows the costs incurred by the Group for research and development activities in the year ended 31 December 2020, compared with 31 December 2019.

(€'000)	At 31 December				Change	
	2020	% Net Revenues New Yachts	2019	% Net Revenues New Yachts	2020 vs. 2019	2020 vs. 2019%
Internal costs	1,904	0.4%	1,951	0.5%	(47)	-2.43%
External costs	3,539	0.8%	3,595	0.8%	(56)	-1.57%
Costs of research and development activities	**5,443**	**1.2%**	**5,546**	**1.3%**	**(104)**	**-1.87%**

For the year ended as at 31 December 2020, total spending, including costs and investments incurred by the Group for research and development activities, primarily relating to projects for new models of yachts and superyachts, came to €5,443 thousand, marking a decrease of €104 thousand on 2019, representing 1.2% of Net Revenues from new yachts.
For further details on research and development activities, please refer to the non-financial statement, available on the Company's website www.sanlorenzoyacht.com in the section "Investors / Results and financial documents".

human resources

As at 31 December 2020, Sanlorenzo Group had a workforce of 513 employees, of which 92.8% at the Parent Company.
The following table shows the evolution in the number of total employees employed by the Group as at 31 December 2020, compared with 31 December 2019, broken down by company:

	At 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Sanlorenzo S.p.A.	476	456	20	+4.4%
Bluegame S.r.l.	26	15	11	+73.3%
Sanlorenzo of the Americas LLC	10	11	(1)	-9.1%
Sanlorenzo Baleari SL	1	1	–	–
Marine Yachting Monaco S.A.M.	–	–	–	–
Group employees	**513**	**483**	**30**	**+6.2%**

By category, white collar workers recorded the largest increase during the period, with an increase of 31 staff members.

	At 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Managers	32	29	3	+10.3%
White collars	392	361	31	+8.6%
Blue collars	89	93	(4)	-4.3%
Group employees	**513**	**483**	**30**	**+6.2%**

The distribution by geographic area saw the largest growth in Italy, which accounted for 97.9% of Group employees as at 31 December 2020.

	At 31 December		Change	
	2020	2019	2020 vs. 2019	2020 vs. 2019%
Italy	502	471	31	+6.6%
Rest of Europe	1	1	–	–
United States	10	11	(1)	-9.1%
Group employees	**513**	**483**	**30**	**+6.2%**

corporate governance

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

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

Pursuant to Article 123-bis of Leg. Decree 24 February 1998 No. 58 (Consolidated Law on Finance), the Company is required to draft an annual report on corporate governance and ownership structures, providing a general description of the governance system adopted by Sanlorenzo Group and information on the ownership structures, including the main governance procedures applied and the characteristics of the risk management and internal control system in relation to the financial disclosure process.
The aforementioned report, approved by the Board of Directors on 16 March 2021 can be consulted on the Company's website www.sanlorenzoyacht.com, in the

intra-group transactions and transactions with related parties

"Corporate Governance/Shareholders' Meeting" section.
On 9 November 2019, the Company's Board of Directors, following up on previous resolutions dated 24 October 2019, had approved, in compliance with the "Regulation on related-party transactions" adopted by Consob by means of resolution no. 17221 of 12 March 2010 and subsequent amendments, the draft of the "Procedure on related-party transactions", which made provision for the establishment within the Board of Directors of the Committee for Related-Party Transactions, set to become effective with the start of trading of the Company's shares on the screen-based market MTA organised and managed by Borsa Italiana S.p.A. This procedure was later definitively approved by the Board of Directors on 23 December 2019 and can be consulted on the Company's website www.sanlorenzoyacht.com, in the "Corporate Governance" section.
Transactions with related parties and intra-group transactions do not qualify as either atypical or unusual, as they fall under the normal course of business of Group companies. These transactions were settled at arm's length, given the characteristics of the assets and services rendered.
In the Notes to the Consolidated financial statements and the Separate financial statements of the Parent Company, the company provides the information required by Article 154-ter of Leg. Decree 24 February 1998 No. 58 (Consolidated Law on Finance), as indicated in Consob Regulation no. 17221 of 12 March 2010.

atypical and/or unusual transactions

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

information of relevant non-eu companies

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

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

additional information

The Company is not subject to management and coordination activities pursuant to Articles 2497 et seq. of the Italian Civil Code, in consideration of the fact that the presumption set forth in Article 2497-sexies of the Italian Civil Code does not apply. On 24 September 2020, the Company launched the treasury share purchase programme based on the authorisation resolution from the Ordinary Shareholders' Meeting of 31 August 2020. As a result of the share purchases since the programme launch, the Company held 58,666 treasury shares as at 31 December 2020, equal to 0.170% of the subscribed and paid-in share capital.

significant events occurring during the year

CAPITAL INCREASE OF THE ASSOCIATED COMPANY POLO NAUTICO

On 8 July 2019, the shareholders' meeting of the associated company Polo Nautico Viareggio S.r.l. ("Polo Nautico") approved a contribution to the share capital increase account totalling €600 thousand, to be converted to share capital following the resolution of the Extraordinary Shareholders' Meeting on the share capital increase, which was subsequently held on 20 January 2020. The share capital of Polo Nautico therefore increased from €67,400 to €667,400, with €300,000 of the share capital increase subscribed by Sanlorenzo.
Following the share capital increase, the equity investment held by Sanlorenzo in Polo Nautico increased from 48.15% to 49.81%.

LOAN WITH CASSA DEPOSITI E PRESTITI

On 23 March 2020, Sanlorenzo took out a €10 million loan from Cassa Depositi e Prestiti S.p.A. drawn on funds from the European Investment Bank (EIB). The 7-year loan is intended to support investments in research, development and innovation relating to new yacht and superyacht models.

APPROVAL OF THE 2020 STOCK OPTION PLAN

On 21 April 2020, the Ordinary Shareholders' Meeting approved the adoption of the 2020 Stock Option Plan, which provides for the free assignment of options granting the beneficiaries, i.e. the executive directors and key employees of Sanlorenzo and its subsidiaries, the right to subscribe Sanlorenzo shares based on a ratio of one share for every option at a strike price of €16.00.
On 9 December 2020, the Board of Directors resolved to extend the vesting period of the options from three to four years, always in compliance with the minimum average vesting period of two years envisaged by the regulations approved by the Shareholders' Meeting.
The 2020 Stock Option Plan is supported by a special share capital increase through the issue of new shares for a total maximum nominal value of €884,615, approved by the Ordinary Shareholders' Meeting on 21 April 2020 and not yet subscribed.

HEALTH EMERGENCY LINKED TO COVID-19

The exceptional measures adopted by the governments of many countries to limit the spread of COVID-19 generated effects beginning from the end of March.
Until 23 March 2020, the Company basically worked as usual, and only starting from the last week of March, when Italian Prime Ministerial Decree of 22 March 2020 came into force, did the Company gradually close all facilities, while in any event guaranteeing the assistance service and the management of boats in the water and other activities permitted by measures in force.
Ever since the first news came out about the spread of COVID-19, Sanlorenzo started an expanded roundtable group with the broadest participation by all parties representing labour (unitary union representative body and trade unions FILCTEM-CGIL, FEMCA-CISL, FIOM-CGIL, UILM-UIL), which resulted in the signing on 7 April 2020 of an operating protocol containing the prevention and protection measures to be implemented at the Company's production sites.
The signing of the safety and prevention protocol made it possible to reopen the Ligurian facilities in Ameglia (SP) and La Spezia on 14 April 2020, in line with what is set forth by the Liguria Region (in implementation of Italian Decree no. 18/2020 of 13 April 2020 of the Department of Civil Protection/Prime Minister's Office), for the performance of activities in preparation for the delivery of vessels already outfitted by shipyards. Likewise, on the basis of the Order of the Tuscany Region of 16 April 2020, the Company also reopened the Viareggio (LU) facilities.
Therefore, on 20 April 2020 all of the Group's operating facilities had been reopened – according to the methods defined by local provisions as well as national legislation – to resume activities relating to yachts to be delivered by the end of July 2020.
On 4 May 2020, all of the Company's facilities were fully operative in compliance with the requirements of Italian Prime Ministerial Decree of 26 April 2020 and after adopting all safety and prevention measures set forth in the protocol, which has been later regularly updated and integrated in the light of the health situation and the measures issued each time by the authorities.

CONFIRMING AGREEMENTS WITH INTESA SANPAOLO S.P.A. AND UNICREDIT FACTORING S.P.A.

In May, Sanlorenzo entered into a supply chain finance framework agreement with Intesa Sanpaolo S.p.A., with a view to supporting small- and medium-sized enterprises that make up by the supply chain that, thanks to the agreement, have a total credit line of €50 million available for advances on trade receivables due from the Parent Company.
The agreement, which translates into participation in an IT platform named "Confirming", makes it possible for suppliers to take advantage of beneficial conditions on factoring transactions and gives the company the opportunity to obtain an additional extension beyond invoice due dates.
The use of that platform also makes it possible to streamline and simplify payment procedures with respect to suppliers, with the assignment to the bank of a mandate for the payment of supplier invoices uploaded on the platform at their due date, releasing the company from the burden of ordering and making payments.
In June, an additional confirming agreement was signed with UniCredit Factoring S.p.A., which provided a total credit line of €20 million that may be used by suppliers of Sanlorenzo and Bluegame.

LAUNCH OF THE TREASURY SHARE PURCHASE PROGRAM

On 31 August 2020, the Ordinary Shareholders' Meeting approved the request to authorise the purchase and sale of treasury shares for up to a maximum of 3,450,000 shares (equal to 10% of the current share capital), in one or more tranches, until 28 February 2022 (18 months from the date of the shareholders' resolution).
Based on this authorisation resolution, the Company launched the treasury share purchase programme on 24 September 2020. As a result of the share purchases since the programme launch, the Company held 58,666 treasury shares as at 31 December 2020, equal to 0.170% of the subscribed and paid-in share capital.

ACQUISITION OF A MINORITY EQUITY INVESTMENT IN MARINE YACHTING MONACO S.A.M.

On 28 September 2020, Sanlorenzo S.p.A. acquired an equity investment equivalent to 40.0% in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Sanlorenzo S.p.A. currently holds 99.7% of the share capital of Marine Yachting Monaco.

INCREASE IN THE MINORITY INTEREST IN SANLORENZO BALEARI SL

On 29 December 2020, Sanlorenzo S.p.A. increased its investment in Sanlorenzo Baleari SL from 51.0% to 100.0%.

significant events after the close of the year

PERINI NAVI

On 15 February 2021, Ferretti Group and Sanlorenzo announced a plan to create a joint venture with equal stakes to make an offer for the acquisition of Perini Navi, declared bankrupt by the Court of Lucca on 29 January 2021.
Through the joint venture, the Ferretti Group and Sanlorenzo expressed an interest in making an offer for the acquisition of the Italian brands, assets and activities of Perini Navi, also through a preliminary business branch lease.

business outlook

The strong acceleration in orders recorded in the fourth quarter of 2020 has continued in the first months of 2021. At the date of approval of this financial report, the Group's backlog was equal to €527,601 thousand, with an order intake from the beginning of the year equal to €118,840 thousand from the end of the 2020 financial year. This figure was up by €26,820 thousand compared to €500,781 million at March 31, 2020, with still two weeks of work to the end of the quarter.
The portion relating to 2021 amounts to €389,779 thousand and offers good prospects in terms of Net Revenues New Yachts for the current year. The positive business trends that have led to this result have involved both new yachts and used boats.
A further boost to this year's performance is expected from the launch of five new models in 2021, which have already met with considerable interest and contributed to the intake of orders even before their presentation.
The Group also continues to increase operating profit margins, favoured by the efficiencies generated by the gradual implementation of new production capacity and by the gradual increase in the prices of new orders due to the market positioning of the Company.
The Company therefore considers its growth expectations for 2021 to be reasonable and well-founded, while it continues to monitor the evolution of the general economic context.

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

The Board of Directors, in submitting for approval to the Shareholders' Meeting, the Separate financial statements as at 31 December 2020, proposes that the Shareholders' Meeting resolve:

a) the Separate financial statements of Sanlorenzo S.p.A., which show a net profit for the year equal to €33,997,047;
b) a proposal to allocate the net profit for the year as follows:
   - to cover losses for previous years due to the adoption of IFRS accounting standards, €20,147;
   - to the legal reserve, €1,698,845;
   - to the Shareholders as dividend in the amount of €0.30 for each of the shares in circulation on the ex dividend date, excluding treasury shares held at that date;
   - to the extraordinary reserve, the residual profit;
c) to place a restriction on the extraordinary reserve up to a maximum amount of €8,400,000, pursuant to Article 110, paragraph 8, of the Law Decree No. 104, converted with amendments by Law no. 126 of 13 October 2020.

Ameglia, 16 March 2021

For the Board of Directors
Executive Chairman
Mr Massimo Perotti

III

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

accounting statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	112,491	102,598
Goodwill	14	8,667	8,667
Intangible assets with a finite useful life	15	36,434	35,404
Equity investments and other non-current assets	17	412	379
Net deferred tax assets	11	6,538	3,008
Total non-current assets		**164,542**	**150,056**
Current assets			
Inventories	18	82,214	62,311
Contract assets	19	112,938	87,889
Other financial assets, including derivatives	23	647	6,654
Trade receivables	20	17,233	20,269
Other current assets	21	30,434	46,007
Cash and cash equivalents	22	94,359	60,186
Total current assets		**337,825**	**283,316**
TOTAL ASSETS		**502,367**	**433,372**

(€'000)	Notes	31 December 2020	31 December 2019
EQUITY			
Share capital	24	34,500	34,500
Share premium	24	76,549	76,549
Other reserves	24	40,189	15,207
Profit/(loss) for the period		34,508	27,030
Equity attributable to the owners of the holding company		**185,746**	**153,286**
Equity attributable to non-controlling interests	24	(355)	(2,455)
TOTAL EQUITY		**185,391**	**150,831**
Non-current liabilities			
Non-current financial liabilities	25	62,745	56,609
Non-current employee benefits	28	845	796
Non-current provisions for risks and charges	29	1,389	913
Total non-current liabilities		64,979	58,318
Current liabilities			
Current financial liabilities, including derivatives	25	28,432	19,294
Current provisions for risks and charges	29	12,679	9,299
Trade payables	26	137,238	152,189
Contract liabilities	19	46,156	19,442
Other current liabilities	27	18,366	18,615
Other current tax liabilities	11	2,105	2,205
Net current tax liabilities	11	7,021	3,179
Total current liabilities		**251,997**	**224,223**
TOTAL LIABILITIES		**316,976**	**282,541**
TOTAL EQUITY AND LIABILITIES		**502,367**	**433,372**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(€'000)	Notes	31 December 2020	31 December 2019
Revenues	8	548,803	518,991
Commissions	8	(21,335)	(12,747)
Net revenues		**527,468**	**506,244**
Other income	9	5,728	3,445
Total net revenue and income		**533,196**	**509,689**
Increases in internal work	9	1,904	1,952
Raw materials, consumables and finished products	9	(219,798)	(217,882)
Outsourcing	9	(171,826)	(166,358)
Change in work in progress, semi-finished and finished products	9.18	23,457	26,297
Other service costs	9	(45,722)	(47,845)
Personnel expenses	9	(37,992)	(35,165)
Other operating costs	9	(3,931)	(4,128)
Accruals to provisions for risks and charges	9.29	(10,052)	(6,596)
Total operating costs		**(463,960)**	**(449,725)**
Operating profit before amortisation and depreciation		**69,236**	**59,964**
Amortisation, depreciation and impairment losses	9,13,15	(20,208)	(16,868)
Operating profit		**49,028**	**43,096**
Financial income	10	13	42
Financial expense	10	(2,187)	(5,293)
Net financial expense		**(2,174)**	**(5,251)**
Share of profit/(loss) of equity-accounted investees, net of tax	17	–	–
Adjustments to financial assets	17	34	32
Pre-tax profit		**46,888**	**37,877**
Income taxes	11	(12,480)	(11,059)
PROFIT/(LOSS) FOR THE YEAR		**34,408**	**26,818**
Attributable to:			
Shareholders of the Parent Company		34,508	27,030
Non-controlling interests		(100)	(212)

continue

(€'000)	31 December 2020	31 December 2019
Other comprehensive income		
Other comprehensive income that will not be subsequently reclassified to net profit		
Actuarial change in provisions for employee benefits	53	21
Income taxes relating to actuarial changes in provisions for employee benefits	(15)	(6)
Total	**38**	**15**
Other comprehensive income which will be subsequently reclassified to net profit		
Changes in the cash flow hedge reserve	451	(179)
Income taxes related to changes in the cash flow hedge reserve	(126)	50
Change in the translation reserve		–
Total	**325**	**(129)**
Other comprehensive income for the year, net of tax effect	**363**	**(114)**
COMPREHENSIVE NET PROFIT FOR THE YEAR	**34,771**	**26,704**
Attributable to:		
Owners of the parent company	34,871	26,916
Non-controlling interests	(100)	(212)

(€'000)	Notes	31 December 2020	31 December 2019
Earnings per share from continuing operations	12	1.00	0.84
Diluted earnings per share from continuing operations	12	1.00	0.84
Group net profit per share	12	1.00	0.84
Group interest in diluted earnings per share	12	1.00	0.84

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€'000)	Share capital	Share premium	Total other reserves	Profit for the period	Equity attributable to the owners of the parent company	Equity attributable to non-controlling interests	Total equity
Value as at 31 December 2019	**34,500**	**76,549**	**15,207**	**27,030**	**153,286**	**(2,455)**	**150,831**
Allocation of profit for the period	–	–	27,030	(27,030)	–	–	–
Change in the hedging reserve	–	–	451	–	451	–	451
Adjustment IFRS FTA	–	–	(37)	–	(37)	–	(37)
Purchase of treasury shares	–	–	(899)	–	(899)	–	(899)
Other changes	–	–	(1,563)	–	(1,563)	2,200	637
Profit for the period	–	–	–	34,508	34,508	(100)	34,408
Value as at 31 December 2020	**34,500**	**76,549**	**40,189**	**34,508**	**185,746**	**(355)**	**185,391**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€'000)	Notes	31 December 2020	31 December 2019
Cash flows from operating activities			
Profit for the year		34,408	26,818
Adjustments for:			
Depreciation	9, 13	13,604	10,350
Amortisation	9, 15	6,604	6,518
Impairment losses on intangible assets and goodwill	14, 15	–	–
Impairment losses on financial assets (other equity investments)	(17)	(34)	(32)
Net financial expense	10	2,174	5,251
Gain on sale of property, plant and equipment		(46)	(7)
Impairment losses on trade receivables	20	–	–
Income taxes	11	12,480	11,059
Changes in:			
Inventories	18	(19,903)	(22,988)
Contract assets	19	(25,049)	6,928
Trade receivables	20	3,036	11,113
Other current assets	21	15,572	(10,686)
Trade payables	26	(14,951)	38,870
Contract liabilities	19	26,714	(33,538)
Other current liabilities	27	(1,226)	5,866
Provisions for risks and charges and employee benefits	28, 29	3,904	6,453
Cash flows generated by operating activities		**57,287**	**61,975**
Taxes paid		(11,288)	(8,788)
Net cash flows from operating activities		**45,999**	**53,187**
Cash flows from investing activities			
Interest received		13	43
Proceeds from disposal of property, plant and equipment		258	59
Proceeds from disposal of intangible assets		–	–

continue

(€'000)	Notes	31 December 2020	31 December 2019
Change in other equity investments and other non-current assets	17	(522)	99
Acquisition of subsidiaries or business units, net of cash acquired		–	–
Acquisition of property, plant and equipment	13	(23,038)	(35,453)
Acquisition of intangible assets with a finite useful life	15	(7,783)	(15,994)
Net cash flows used in investing activities		**(31,072)**	**(51,246)**
Cash flows from financing activities			
Financial interests and expense paid		(2,187)	(5,292)
Proceeds from the issue of share capital		–	69,660
New loans	25	42,783	–
Repayment of loans	25	(31,349)	(63,153)
Changes in other financial assets and financial liabilities including derivatives	23, 25, 30	5,831	9,821
New finance leases	25	4,229	2,925
Repayment of finance leases	25	214	–
Assumption of new loans	25	–	47,960
Other changes in equity	24	1,052	(48,608)
Purchase of treasury shares	24	(899)	–
Dividends paid	24	–	(3,800)
Net cash flows from/(used in) financing activities		**19,246**	**9,513**
Net (decrease)/increase in cash and cash equivalents		**34,173**	**11,454**
Cash and cash equivalents as at 1 January		60,186	48,732
Cash and cash equivalents as at 31 December		**94,359**	**60,186**

notes to the consolidated financial statements

BASIS OF PREPARATION

1. Reporting entity

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

2. Basis of preparation

The consolidated financial statements as at and for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).
The notes to the consolidated financial statements were incorporated with the additional information required by Consob and by the regulations issued thereby, pursuant to Article 9 of Italian Legislative Decree no. 38/2005 (resolutions 15519 and 15520) of 27 July 2006 and communication DEM/6064293 of 28 July 2006, pursuant to Article 78 of the Issuer's Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.

3. Basis of preparation

The consolidated financial statements as at 31 December 2020, approved by the Board of Directors of the Company on 16 March 2021, include the consolidated statement of the financial position, consolidated statement of profit and loss for the year and the other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity.
As regards the statement of financial position, the presentation format adopted provides for a distinction between current and non-current assets and liabilities, according to paragraphs 60 et seq. of IAS 1.
The presentation of the consolidated income statement adopts a classification of costs based on the type of expense.
The consolidated statement of cash flows was prepared based on the indirect method and is presented in compliance with IAS 7, classifying the financial flows between operating, investment and financing activities.
The details regarding the accounting standards adopted by the Group are specified in the paragraph "Accounting standards" of these consolidated financial statements.
It should be noted that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements highlight significant relations

with related parties in order to provide better information, and the income items deriving from non recurrent events or transactions are recognised, when significant, separately in the management comments and in the financial information sections.

4. Functional and presentation currency

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

5. Use of judgements and estimates

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

Valuations

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

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

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

Assumptions and estimation uncertainties

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

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

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

6. Significant accounting standards

In these consolidated financial statements, the accounting standards and consolidation criteria adopted are consistent, except where indicated hereunder, with those used to prepare the consolidated financial statements as at 31 December 2019, drafted for comparative purposes.

Amendment to IFRS 3 – Business Combinations

In these Financial Statements, the Group adopts the limited amendments to IFRS 3 - Business Combinations. The purpose of the amendments is to help companies to better determine whether an acquisition represents an acquisition of a company or a group of assets. The definition emphasizes how the result of an enterprise is to provide goods and services to customers, while the previous definition focused on the return on investments in the form of dividends, lower costs or other economic benefits by investors and others. The recognition of a business combination rather than a group of assets has important consequences for the non-recognition of goodwill and the option of capitalizing the acquisition costs in the case of acquisition of a group of assets.
The introduction of this amendment has no effect on these Consolidated Financial Statements.

Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In these financial statements, the Group has adopted the amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting standards, changes in estimates and errors. The purpose of the amendment to IAS 1 and IAS 8 is to clarify the meaning of the term "materiality". The materiality principle is very pervasive in the preparation of the Financial Statements as it allows non-compliance in terms of recognition, measurement, presentation and disclosure when the effects are not material for the purposes of providing a true and fair representation. Within IAS 1, the sentence "could influence the

decision of users" was changed to "it could reasonably be expected that it will influence the decisions of the main users". The intention is to raise the materiality threshold, which, in the previous version, could have been understood as a "non-threshold" since all information could influence decisions. The definition of materiality also introduces the concept of obscuring, which does not prohibit the addition of information in the notes to the financial statements. Obscuring takes place when the inclusion of non-material information is aimed at distracting or confusing the readers of the Financial Statements from other information considered significant. In addition, in the amendments to IAS 1, the word "size" is replaced by "magnitude", in order to free the definition from a concept of numerical quantity and come closer to a concept of importance of the information in itself. The IASB has also specified that "users" and "primary users" both refer to existing and potential investors, credit institutions and other lenders that must rely on financial reports to obtain the information necessary to carry out their role. These amendments affect the application of IAS 8, as this standard establishes the criteria for the selection and amendment of the accounting standards and the related changes in estimates and corrections of errors.
The introduction of these amendments has no effect on these Consolidated Financial Statements.

Amendment IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement and IFRS 7 – Financial instruments: Disclosures

In these financial statements, the Group has adopted the amendments to IFRS 9 – Financial instruments, IAS 39 - Financial instruments: recognition and measurement and IFRS 7 – Financial instruments: Disclosures collectively defined as "Interest Rate Benchmark Reform". The amendments are intended to alleviate the impact of the uncertainty arising from the reform of the interbank offered rates (IBOR) and require companies to provide supplementary information on their hedging transactions when these are affected by this type of uncertainty.
The introduction of these amendments has no effect on these Consolidated Financial Statements.

Amendment to IFRS 16 – Leases

In May 2020, IASB issued an amendment to IFRS 16 – Leases for Covid-19-related rent concessions. The amendment allows the lessee, for certain concessions due to the Covid-19 pandemic, to recognise these concessions directly in the income statement, as if they were not lease modifications. This amendment applies to Covid-19-related rent concessions, which reduce the payments due by the lessee pursuant to the lease agreement before 30 June 2021. In essence, it exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications pursuant to IFRS 16.
Applying this amendment, the Group has not recognized any effects on these Consolidated Financial Statements.

Changes in the Conceptual Framework for Financial Reporting

The objective of the revision of the "Conceptual Framework for Financial Reporting" is to assist the IASB in developing the accounting standards, to help preparers of financial statements to develop consistent accounting policies for areas that are not covered by a standard or where the accounting standard offers a choice of accounting policy. The revision arises from the need to update concepts such as valuation, assets, and liabilities and to clarify concepts such as uncertainty in valuations. The main changes included the following:

- new concepts for the valuation, recognition, transparency and derecognition of financial statements items;
- revised definition of assets and liabilities as well as changes to the concept of recognition of financial assets and liabilities;
- greater clarity on the concepts of prudence, uncertainty in valuations, substance on the form and responsibility of directors.

The application of the changes to the Conceptual Framework for Financial Reporting has no immediate effects for the Group; however this will apply, in the future, the changes to develop financial statements policies when the IFRS are not applicable.

PERFORMANCE FOR THE YEAR

7. Operating segments

The Sanlorenzo Group comprises the following operating segments:

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

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

- that engage in business activities from which the Group earn revenues and incur expenses;
- whose operating results are regularly reviewed by the parent company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

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

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

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

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

8. Revenue and commissions

(€'000)	31 December 2020	31 December 2019	Change
Revenues from contracts with customers	548,803	518,991	29,812
Commissions	(21,335)	(12,747)	(8,588)
Net revenues	**527,468**	**506,244**	**21,224**

Revenue from contracts with customers

Revenue from contracts with customers is earned on the sale of new and pre-owned boats, which are shown in the above table gross and net of the commissions paid to agents to finalise the sales contracts. Revenue gross of agency commissions paid amounts, respectively, to €548,803 thousand as at 31 December 2020 and €518,991 thousand as at 31 December 2019.
As at 31 December 2020, gross revenue increased compared to the previous year by €29,812 thousand despite the restrictive measures imposed by governments to limit the spread of COVID-19.

Disaggregation of revenue from contracts with customers

A breakdown of revenue from contracts with customers by type is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Revenues New Yachts	476,354	467,982	8,372
Revenues from pre-owned	67,082	44,563	22,519
Revenue from maintenance and other services	5,367	6,446	(1,079)
Revenues from contracts with customers	**548,803**	**518,991**	**29,812**

Revenue from new boat sales includes guarantee deposits from customers who cancelled their purchases and forfeited their deposit to the Group, in accordance with the relevant contracts signed with the customers. They are recognised in profit or loss and were equal to €529 thousand and €790 thousand for 2020 and 2019, respectively.
Revenue from pre-owned boats sales amounts to €67,082 thousand and €44,563 thousand for 2020 and 2019, respectively.
Revenues from maintenance services and the sale of spare parts for all types of boats amounted to €5,367 thousand as at 31 December 2020 and €6,446 thousand as at 31 December 2019. Revenue from maintenance services and spare part sales are managed in separate orders received from the customers and represent obligations different from the yacht sale.

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

(€'000)	31 December 2020	31 December 2019	Change
Yacht Division	373,150	335,959	37,191
Superyacht Division	146,376	166,848	(20,472)
Bluegame Division	29,277	16,184	13,093
Revenue from contracts with customers	**548,803**	**518,991**	**29,812**

The next table breaks down the revenue from contracts with customers on the basis of the nationality of the owner customer by geographical segment:

(€'000)	31 December 2020	31 December 2019	Change
Italy	72,308	79,623	(7,315)
Europe (other countries)	205,948	251,707	(45,759)
USA	84,842	49,085	35,757
Americas (other countries)	30,364	27,695	2,669
APAC	116,769	75,688	41,081
Middle East and Africa	38,572	35,193	3,379
Revenue from contracts with customers	**548,803**	**518,991**	**29,812**

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

Commissions

Agency commissions amount to €21,335 thousand and €12,747 thousand as at 31 December 2020 and 31 December 2019, respectively. This amount represents the costs incurred by the Group for the intermediation activity carried out by the dealers and agents.
As at 31 December 2020, agency commissions showed a €8,588 thousand increase on the previous year.

9. Income and expenses

Other income

(€'000)	31 December 2020	31 December 2019	Change
Gains on disposals of assets	54	13	41
Other revenue	5,674	3,432	2,242
Other income	**5,728**	**3,445**	**2,283**

Other income amount to €5,728 thousand and €3,445 thousand for 2020 and 2019, respectively. As at 31 December 2020, other revenues and income were up by €2,283 thousand on the previous year.
Other revenue mostly refers to the Parent Company and includes:

- income for services provided to suppliers;
- chargebacks of marketing contributions.
- bonus investments in capital goods (Law no. 160, 27 December 2019, and Law no. 178, 30 December 2020);
- the recognition of a tax benefit on R&D expenditure incurred over the years.

Operating costs

(€'000)	31 December 2020	31 December 2019	Change
Increases in internal work	(1,904)	(1,952)	48
Raw materials, consumables and finished products	219,798	217,882	1,916
Outsourcing	171,826	166,358	5,468
Other service costs	45,722	47,845	(2,123)
Change in work in progress, semi-finished and finished products	(23,457)	(26,297)	2,840
Personnel expenses	37,992	35,165	2,827
Other operating costs	3,931	4,128	(197)
Accruals to provisions and impairment losses	10,052	6,596	3,456
Operating costs	**463,960**	**449,725**	**14,235**

Operating costs amounted to €463,960 thousand and €449,725 thousand for 2020 and 2019, respectively. The work performed by the Group and capitalised refers to the costs of the personnel involved in the development of new boats, which are capitalised under the item development expenditure in relation to intangible assets with a finite useful life. As in previous years, the Group has also capitalised the costs for its internal personnel under development activities.
Raw materials, consumables and finished products are presented net of returns, discounts, allowances and bonuses and are almost entirely related to the Parent Company. The change between 2020 and the previous year, equal to €1,916 thousand, is mainly due to higher purchase volumes of raw materials, consumables as a consequence of the rise in production volumes and the purchase of pre-owned boats.
Outsourcing chiefly related to naval carpentry services, turnkey furnishings for yachts and superyachts, electrical and plumbing work and the fitting of the boat's interior and exterior. The related cost increased by €5,468 thousand from 2019 to 2020.
Other service costs mostly comprise costs for consulting services, transport costs, the board of directors' and statutory auditors' fees, travel expenses and cleaning and maintenance costs, mostly incurred by Sanlorenzo and Bluegame. The changes in the item "Other service costs" between 2019 and 2020 was equal to €(2,123) thousand.
The change in working in progress, semi-finished and finished products was equal to €(23,457) thousand and €(26,297) thousand respectively as at 31 December 2020 and 2019. Work in progress refers to work orders of less or more than one year duration for which the contract with the customer was not yet finalised by the end of the financial year.

Personnel expenses increased by €2,827 thousand in 2020 from 2019. This change reflected the growth in personnel due to an expansion of the Group as shown in the following table:

	31 December 2020	31 December 2019	Change
Managers	32	29	3
White collars	392	361	31
Blue collars	89	93	(4)
Total employees	**513**	**483**	**30**

A breakdown of personnel expenses is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Wages and salaries	28,245	25,899	2,346
Social security contributions	8,253	7,889	364
Post-employment benefits	1,494	1,377	117
Total	**37,992**	**35,165**	**2,827**

The other operating costs mostly related to advertising for €1,607 thousand, and €2,517 thousand in 2020 and 2019, respectively, and other sundry costs stood at €2,324 thousand and €1,611 thousand for 2020 and 2019, respectively. Between 2020 and 2019, other operating costs decreased by €197 thousand.
In 2020, allocations to provisions and write-downs included €5,303 thousand for contract completion activities, €4,000 thousand for the risk of a likely transaction on the sale of a boat, and €749 thousand from provisions for risks.

Amortisation, depreciation and impairment losses

(€'000)	31 December 2020	31 December 2019	Change
Amortisation	6,604	5,666	938
Depreciation	13,604	11,202	2,402
Amortisation, depreciation and impairment losses	**20,208**	**16,868**	**3,340**

Amortisation, depreciation and impairment losses amounted to €20,208 thousand and €16,868 thousand respectively as at 31 December 2020 and 2019. The change between 2020 and 2019 is equal to €3,340 thousand and is due to the coming on stream of the investments made in previous years.
In 2020, the amortisation of intangible assets was equal to €6,604 thousand, mainly referring to the amortisation of trademarks and patents for €1,596 thousand, amortisation of development expenses for €3,670 thousand, amortisation of state concession for the La Spezia shipyard for €361 thousand, amortisation of the rights of use of the Viareggio warehouses for €442 thousand and amortisation of software applications for €283 thousand.
In 2020, depreciation of tangible assets stood at €13,604 thousand, mainly referring to depreciation of industrial and commercial equipment (€6,929 thousand), land and buildings (€3,637 thousand), other assets (€2,051 thousand) and plant and equipment (€987 thousand).

10. Net financial expense

(€'000)	31 December 2020	31 December 2019	Change
Financial income	13	42	(29)
Financial expense	(2,187)	(5,293)	3,106
Net financial expense	**(2,174)**	**(5,251)**	**3,077**

Net financial expense amounted to €2,174 thousand and €5,251 for 2020 and 2019, respectively.

The decrease with respect to the previous year, equal to €3,077 (58.6%), was due to lower average borrowing and better financial conditions applied to the Group by the financial institutions.
A breakdown of each item making up this caption is provided below:

(€'000)	31 December 2020	31 December 2019	Change
Interest income - third parties	9	19	(10)
Interest income – banks	4	23%	(19)
Financial income	**13**	**42**	**29**

(€'000)	31 December 2020	31 December 2019	Change
Interest expense – banks	(1,214)	(3,903)	2,689
Interest expense - third parties	(276)	(294)	18
Sundry bank charges	(610)	(797)	187
Other financial charges and exchange gains / (losses)	(87)	(299)	212
Financial expense	**(2,187)**	**(5,293)**	**3,106**

11. Income taxes

(€'000)	31 December 2020	31 December 2019	Change
Current taxes	(15,900)	(8,929)	(6,971)
Taxes relative to prior years	(110)	(2,876)	2,766
Deferred tax assets and liabilities	3,530	746	2,784
Income taxes	**(12,480)**	**(11,059)**	**(1,421)**

In 2020, the item "Income taxes" stood at €(12,480) thousand, up by €(1,421) thousand over the previous year. This item mainly consists of current taxes, equal to €(15,900) thousand, taxes for prior years, equal to €(110) thousand, including the additional provision made to take into account the potential liabilities resulting from tax audits, and positive changes in deferred tax assets and liabilities, equal to €3,530 thousand.

With regard to deferred taxes, there was a reversal of the deferred taxes relating to the assets for which it was decided to realign the tax value to the higher book value pursuant to Article 110, paragraph 8 of Law Decree no. 104/2020 (converted by Law 126/2020). More information on deferred tax assets and liabilities is available in the tables provided below.
Current taxes increased in 2020 by €6,971 thousand.

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

(€'000)	31 December 2020	31 December 2019
Pre-tax profit	**46,888**	**37,877**
Tax rate	24%	24%
Theoretical IRES	11,253	9,091
Non-deductible expenses	1,878	2,937
R&D credit exempt	(52)	(335)
Tax incentive	–	(2,467)
Current year losses on subsidiaries for which no deferred tax asset was recognised	–	(7)
Effect of tax rate in foreign jurisdiction and other differences	(3,109)	109
IRAP	2,510	1,731
Income taxes	**12,480**	**11,059**

2020 income taxes were equal to 26.6% of pre-tax profits.

Current tax assets and liabilities

(€'000)	31 December 2020	31 December 2019	Change
Current tax assets	8,942	5,911	3,031
Current tax liabilities	(15,963)	(9,090)	(6,873)
Net assets/(liabilities) for current taxes	**(7,021)**	**(3,179)**	**(3,842)**

Assets refer to IRES and IRAP advances paid in 2020. Current tax liabilities were equal to €(15,963) thousand and €(9,090) thousand as at 31 December 2020 and 2019 respectively; they mainly refer to IRES and IRAP liabilities.

Net deferred tax assets

(€'000)	31 December 2020	31 December 2019	Change
Net deferred tax assets	6,538	3,008	3,530

The balance of this item shows the difference between deferred tax assets and liabilities over the years. Net deferred tax assets stood at €6,538 as at 31 December 2020 and €3,008 thousand as at 31 December 2019. The main temporary differences that have produced deferred tax assets regard the provisions for risks and charges made, impairment losses on pre-owned boats, and value adjustments on receivables.
As already indicated, as a consequence of the option to realign the tax values of some assets to the higher book values (Article 110 paragraph 8 of Law Decree 104/2020, converted by Law 126/2020), there was a reversal of the deferred taxes, related to the aforementioned assets, equal to €1,502 thousand.
Deferred tax assets are recognised when the management believes that they will be recovered through future taxable earnings on the basis of company plans. Deferred tax liabilities relate to income taxes for the current year and previous years to be paid in subsequent years in line with applicable tax regulations. The Group recognised deferred tax liabilities calculated by using the rates in force on the increase in the carrying amount of the buildings owned by the Group, allocating part of goodwill (in previous years).

The following table provides details on the changes, nature and amount of these temporary differences with the amounts recognised in profit or loss as at 31 December 2020 and 2019.

(€'000)	Tax Effect as at 1 January 2020	Adjustments	Utilisations 2020	Accruals 2020	Total in profit or loss 2020	Tax effect as at 31 December 2020
Deferred tax assets						
Loss allowance	91	–	1	–	(1)	90
Provisions for risks and charges	2,819	–	1,267	3,198	1,931	4,750
Unpaid directors' fees	5	–	5	2	(3)	2
Write-downs obsolete	–	56	56	–	(56)	–
Unpaid membership fees	3	–	3	5	2	5
Amortisation of Goodwill	2	1	1	–	(1)	2
Impairment losses on pre-owned boats	250	–	250	1,303	1,053	1,303
Effect of IFRS 38	–	10	3	–	(3)	7
Share capital increase cost against Reserve	–	471	118	–	(118)	353
R&D deferred	–	241	47	–	(47)	194
Effect of IAS 17	282	(282)	–	–	–	–
Valuation Hainan Sundiro – SL Yacht Manufacturing using the equity method	10	(10)	–	–	–	–
Derivatives	122	(122)	–	–	–	–
Effect of IAS 19	19	(19)	–	–	–	–
Legal costs	242	–	–	–	–	242
Effect of IFRS 15	56	(56)	–	–	–	–
Measurement of financial liabilities at amortised cost	142	–	24	–	(24)	118
Other	1,533	(290)	844	–	(844)	399
Total deferred tax assets	**5,576**	**–**	**2,619**	**4,508**	**1,889**	**7,465**
Deferred taxes						
Differences on goodwill solely for Irap purposes	(251)	–	251	–	251	–
Deferred tax liabilities on goodwill	(1,337)	–	1,337	–	1,337	–
Contracts of less than one year	(88)	–	88	–	88	–
Amortisation of development costs over its useful life	(866)	–	433	493	(60)	(926)
Other	(26)	–	25	–	25	(1)
Total deferred tax liabilities	**(2,568)**	**–**	**2,134**	**493**	**1,641**	**(927)**
Net deferred tax assets	**3,008**	**–**	**4,753**	**5,001**	**3,530**	**6,538**

12. Earnings per share

The next table shows how the earnings per share were calculated as at 31 December 2020 and 2019 based on the ratio of the profits attributable to the owners of the parent to the weighted average number of ordinary shares each year.

As a result of the share capital increase related to the IPO carried out in the previous year, the share capital of the Parent Company was equal to €34,500 thousand as at 31 December 2020, divided among 34,500,000 ordinary shares.

There were no dilutive potential ordinary shares in the period.

(in Euro)	31 December 2020	31 December 2019
Profit for the year attributable to the owners of the parent company	34,507,771	27,029,974
Average number of shares	34,500,000	32,250,000
Earnings per share	**1.00**	**0.84**

ASSETS

13. Property, plant and equipment

Property, plant and equipment amounted to €112,491 thousand and €102,598 thousand as at 31 December 2020 and 31 December 2019, respectively.
A breakdown of the item and its changes over the year are provided in the table below.

(€'000)	Land and buildings	Industrial equipment	Plant and equipment	Other assets	Fixed assets in progress	Total
Historical cost	63,551	60,527	8,574	13,941	25,495	172,088
Accrued amortisation	(24,613)	(32,627)	(4,587)	(7,663)	–	(69,490)
Carrying amount as at 31 December 2019	**38,938**	**27,900**	**3,987**	**6,278**	**25,495**	**102,598**
Changes:						
Additions	7,920	9,161	2,678	1,902	1,377	23,038
Disposals	(40)	(28)	(25)	(315)	–	(408)
Reclassifications	19,774	368	4,165	52	(24,359)	–
Amortisation	(3,637)	(6,929)	(987)	(2,051)	–	(13,604)
Uses of accumulated depreciation	10	14	3	300	–	327
IFRS 16 change	–	51	–	489	–	540
Historical cost	91,205	70,028	15,392	15,580	2,513	194,718
Accrued amortisation	(28,240)	(39,491)	(5,571)	(8,925)	–	(82,227)
Carrying amount at 31 December 2020	**62,965**	**30,537**	**9,821**	**6,655**	**2,513**	**112,491**

As at 31 December 2020, property, plant and equipment included:

- Land and buildings, equal to €62,965 thousand: these mostly refer to the Parent Company's buildings located at the production facilities in Ameglia (SP), Massa (MS), Viareggio (LU) and La Spezia (SP);
- Industrial equipment, equal to €30,537 thousand: these mostly refer to technical equipment, mostly owned by the Parent Company, for scaffolding, handling and fibreglass moulding extraction;
- Plant and equipment, equal to €9,821 thousand: these are entirely owned by the Parent Company and mostly relate to fire, electrical, plumbing and intake systems;
- Other assets, equal to €6,655 thousand: these refer for €5,379 thousand to the Parent Company and the remainder to the other Group companies. Other assets chiefly include office furniture and fittings, trade fair equipment and electronic equipment.

- Assets under development, equal to €2,513 thousand: these mainly refer to the Parent Company and only minimally to Bluegame and mainly include the costs incurred for the construction of a new quay at the La Spezia facility.

In 2020, property, plant and equipment increased by €23,038 thousand, mainly for assets under development (€1,377 thousand), industrial equipment (€9,161 thousand), buildings (€7,920 thousand), other assets (€1,902 thousand) and plants (€2,678 thousand).
In 2020, decreases were equal to €408 thousand, net of accumulated depreciation equal to €327 thousand; they mainly concerned other assets of the Parent Company.
Depreciation in 2020 was equal to €13,604 thousand, €2,402 thousand higher than in 2019, mostly as a result of the investments made during the current and previous year.

14. Goodwill

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

(€'000)	31 December 2020	31 December 2019	Change
Goodwill	8,667	8,667	–

As at 31 December 2020 and 31 December 2019, goodwill for €8,667 thousand was recognised.
It arose on the 2008 merger of the former holding company, Happy Fly S.r.l., and its subsidiary FlyOpen S.p.A. into Sanlorenzo S.p.A.
The balance of €8,667 thousand is net of amortisation recognised up until the date of First Time Adoption of IFRS.
The Group applied the exemption, provided by IFRS 1.C1 for business combinations, which allows the first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.

15. Intangible assets with a finite useful life

Intangible assets with a definite useful life amounted to €36,434 thousand as at 31 December 2020 and €35,404 thousand as at 31 December 2019.
A breakdown of the caption at each date presented and changes therein is provided below.

(€'000)	Concessions, licences, trademarks and similar rights	Other assets	Development costs	Fixed assets in progress	Total
Historical cost	41,839	2,662	27,817	4,036	76,354
Accrued amortisation	(24,402)	(2,650)	(13,898)	–	(40,950)
Carrying amount as at 31 December 2019	**17,437**	**12**	**13,919**	**4,036**	**35,404**
Changes:					
Additions	990	–	5,919	874	7,783
Disposals	(186)	–	–	–	(186)
Reclassifications	(1)	(3)	2,778	(2,774)	–
Amortisation	(2,933)	(1)	(3,670)	–	(6,604)
Accrued depreciation of disposal	37	–	–	–	37
Historical cost as at 31 December 2020	42,642	2,659	36,514	2,136	83,951
Accrued amortisation and impairment losses as at 31 December 2020	(27,298)	(2,651)	(17,568)	–	(47,517)
Carrying amount as at 31 December 2020	**15,344**	**8**	**18,946**	**2,136**	**36,434**

With reference to the development costs, no impairment indicators were identified suggesting that capitalised development costs have been impaired.
As at 31 December 2020, intangible assets with a finite useful life included:

- concessions, licences, trademarks and similar rights, equal to €15,344 thousand, mostly related to the Parent Company. More specifically, the item mainly consists of the concession acquired together with the former Cantieri San Marco business unit in 2018 (€3,611 thousand); trademark of the Parent Company and of Bluegame (€101 thousand); two mooring rights acquired by the Parent Company until 2067 in "Porto Mirabello", port facility in La Spezia (€1,758 thousand, net); the right of use for the Viareggio buildings acquired with the demerger of Polo Nautico Viareggio S.r.l. during the year (€8,519 thousand); software (€564 thousand) and sundry rights (€791 thousand).
- Other assets of €8 thousand.
- Development costs, equal to €18,946 thousand, comprising costs to design and develop new boats incurred by the Parent Company and Bluegame S.r.l.
- Assets under development equal to €2,136 thousand, mostly consisting of development costs for the design and study of new boat models.

In 2020, additions were equal to €7,783 thousand and mainly related to assets under development (€874 thousand), development costs (€5,919 thousand) and trademarks, patents, rights on use of buildings and mooring rights (€990 thousand).
Depreciation in 2020 were equal to €6,604 thousand, €938 thousand higher than in 2019 as a result of the investments made during the year.

Recoverability of development expenditure

As at 31 December 2020 and 2019, intangible assets included €18,946 thousand and €13,919 thousand, respectively, representing projects to develop new boats and innovative fibreglass, steel and aluminium solutions for medium to large boats.
Its design costs, over eight years, were amortised based on a 12.5% rate.
Projects normally take between one to three years to develop (roughly 18 months for fibreglass boats) and the group usually recognises the related costs over this period. The design stage ends with the building of the prototype and the model is definitive for sale on the market (new boat design). However, the group may incur design costs after this if it decides to improve the boat, restyle it or if the customer requests customisation (boat design in production). Designs obviously have to reflect market trends and consider competitors' strategies. Due to difficulties in identifying the right moment for a new product to go to market, the Group defines its specific strategy in this respect each year.
Based on the business plan, which considers sales forecasts, company management deems that the development costs recognised as at 31 December 2020 is recoverable.

16. Impairment testing

This section describes the methods applied to test goodwill and development costs for impairment in accordance with IAS 36 and the results of these tests.
As at 31 December 2020, the Company tested the recoverability of goodwill equal to €8,667 thousand. No indications of impairment were identified at Group level.
For the purposes of testing the recoverability of the goodwill recognised as an intangible asset, a Cash-Generating Unit (CGU) has been identified, which consists of the whole of the Sanlorenzo Group's operating activities.
The test for impairment on its assets, in accordance with IAS 36, provides for two different calculations of the recoverable amount, either value in use or fair value less costs to sell. Paragraph 18 of IAS 36 defines the "recoverable amount as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use". In this case, as it was not possible to measure the fair value of the assets being tested for impairment, the estimate of their recoverable amount as at 31 December 2020 was made based on the values based on the concept of value in use.
The value in use was calculated based on the estimated operating cash flows for the three-year period 2021-2023, obtained by discounting the economic-financial forecast data taken from the 2021-2023 plan adopted solely for the purposes of the impairment test with resolution of the Board of Directors on 23 February 2021. The difference between the resulting value in use and the carrying amount of the net operating invested capital, including goodwill and development costs, is positive by roughly 265%.

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

- the risk-free rate was taken to be equal to the average rate of return on 10-year government bonds, i.e. 1.15%;
- an equity risk premium of 6.85% was used;
- a beta-levered coefficient was measured considering a basket of listed companies active in the same sector as the group and was equal to 1.08;
- an additional risk premium of 3.50% was used.

The cost of debt was estimated to be equal to 1.15%,
A debt to equity ratio of 52.67% was also used, equal to the average debt to equity ratio of a basket of comparables.
Application of this model led to the calculation of a 8.57% discount rate (pre-tax WACC equal to 11.28%).
The terminal value was calculated using the "perpetuity" formula, assuming a growth rate "g" of 1.00% and a normalised operating cash flow using the projections for 2023, the last year of the plan taken as reference for impairment test purposes.
The model's sensitivity to changes in these parameters was also tested, to test its robustness and accuracy.
The model was tested under the assumption of a change in the discount and growth rates of up to 1% and of a 20% decrease in the cash flows estimated based on the business plan. This sensitivity analysis did not suggest the presence of asset impairment.
An analysis of the base scenario and the sensitivity analysis after introducing changes to the main parameters of the impairment test showed that the carrying amount of Group goodwill is recoverable.
The following table shows the WACC, growth rate and percentage of operating cash flows that individually would make the CGU's recoverable amount equal to its carrying amount as at 31 December 2020.

	Base scenario	WACC	Growth rate	Operating cash flows
WACC	8.57%	29.27%	8.57%	8.57%
Growth rate (g)	1.00%	1.00%	-34.65%	1.00%
Operating cash flows	100,00%	100,00%	100,00%	27,50%

17. Equity investments and other non-current assets

(€'000)	31 December 2020	31 December 2019	Change
Associated companies	378	345	33
Other companies	34	34	-
Equity investments and other non-current assets	**412**	**379**	**33**

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

(€'000)	Associated companies	Other companies	Total
Carrying amount as at 31 December 2019	**345**	**34**	**379**
Changes:			
Additions/capital increases	33	–	33
Carrying amount as at 31 December 2020	**378**	**34**	**412**

Investments in associated companies amounted to €378 thousand and €345 as at 31 December 2020 and 2019, respectively. This item refers to the investment held in the associated company Polo Nautico. For further details, please refer to the note "Associates" in these financial statements.
Investments in other companies were equal to €34 thousand as at 31 December 2020 and 2019 and are represented by investments that are fairly negligible in companies and consortiums, not falling in the scope of consolidation.

18. Inventories

(€'000)	31 December 2020	31 December 2019	Change
Raw materials and consumables	6,321	6,117	204
Work in progress and semi-finished products	45,123	32,928	12,195
Finished products	36,163	24,163	12,000
Provision for inventory obsolescence	(5,393)	(897)	(4,496)
Inventories	**82,214**	**62,311**	**19,903**

Inventories amounted to €82,214 thousand and €62,311 thousand as at 31 December 2020 and 2019, respectively.
Raw materials, consumables and supplies include the materials necessary to build the boats.
Work in progress and semi-finished products relates to the boat construction contracts that have not been finalised with the customer before year end. The change observed between 31 December 2019 and 31 December 2020 is due to the company's plan to increase production volumes.
The finished goods comprise traded-in boats, which are recognised at cost when the group receives them and the value of which is adjusted at the end of each year to the presumed realisable value through the recognition of the relative allowance for write-downs.
During the valuation process of pre-owned boats, the Group relies on various elements such as the analysis of the specific characteristics of the pre-owned boats, the valuations carried out at the time of their purchase including age, current market trend, also through the indications of an independent third party, the uniqueness of each boat and of each trade negotiation, as well as the sales already concluded in the subsequent period. The project "Experienced Yachts", designed to diversify and qualify the pre-owned boats of the Group compared with the competition, provides for each boat that is part of the programme to be valued, managed and reconditioned by the Group's personnel in order to guarantee the efficacy of the boats' machinery and instruments. The valuation of pre-owned boats is based on an independent expert appraisal which considers the factors mentioned above and each boat's general conditions.
The provision for inventory obsolescence, including finished products and raw materials, recorded the following changes, mainly due to the adjustment of the value of finished products to the estimated realizable value:

(€'000)	Balance
Provision for inventory obsolescence as at 31 December 2019	**897**
Accruals	5,393
Utilisations	(897)
Provision for inventory obsolescence as at 31 December 2020	**5,393**

19. Contract assets and liabilities

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

Net contract assets are as follows:

(€'000)	31 December 2020	31 December 2019	Change
Contract assets (gross)	467,861	427,221	40,640
Progress payments	(354,923)	(339,332)	(15,591)
Contract assets (net)	**112,938**	**87,889**	**25,049**

Unsatisfied or partially unsatisfied performance obligations refer to all the boats (both with original expected duration within 1 year and more) and are expected to be recognised in accordance with production timing related to yacht (between 7 and 16 months on average) and superyacht (between 24 and 46 months on average).
Net contract liabilities are as follows:

(€'000)	31 December 2020	31 December 2019	Change
Payables for work to be carried out	5,949	2,275	3,674
Total advances received from customers	395,130	356,499	38,631
Advances deducted from contract assets	(354,923)	(339,332)	(15,591)
Contract liabilities (net)	**46,156**	**19,442**	**26,714**

This item amounted to a net €46,156 thousand and €19,442 thousand as at 31 December 2020 and 31 December 2019, respectively. The change of €26,714 thousand between 2019 and 2020 is mainly due to the increase in advances received from customers.

Trade receivables

(€'000)	31 December 2020	31 December 2019	Change
Receivables from customers	17,697	20,648	(2,951)
Loss allowance	(464)	(379)	(85)
Total trade receivables	**17,233**	**20,269**	**(3,036)**

Trade receivables amounted to €17,233 thousand and €20,269 thousand as at 31 December 2020 and 31 December 2019, respectively.
At 31 December 2020, trade receivables decreased compared with 31 December 2019, by €3,036 thousand.
The trade receivables are presented net of the loss allowance set up over the years to provide for credit-impaired receivables that are still recognised pending the completion of the related court-approved creditors' settlement procedure or out-of-court recovery proceedings. It is deemed that the loss allowance is adequate to cover any risks of losses.
Changes in the loss allowance in 2020 are as follows:

(€'000)	Balance
Loss allowance as at 31 December 2019	**379**
Utilisations/Releases	(5)
Accruals	90
Loss allowance as at 31 December 2020	**464**

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

(€'000)	31 December 2020	31 December 2019	Change
Hong Kong	315	389	(74)
APAC (other countries)	1,736	556	1,180
Italy	1,024	6,256	(5,232)
Germany	710	1,712	(1,002)
Europe (other countries)	11,055	5,755	5,300
British Virgin Islands	265	543	(278)
USA	(842)	(1,920)	1,078
Americas (other countries)	1,969	40	1,929
Africa	1	–	1
Middle East	1,000	6,938	(5,938)
Receivables from customers	**17,233**	**20,269**	**(3,036)**

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

31 December 2020 (€'000)	Not overdue	Overdue for (dd)		
		0-365	366-730	>730
Receivables from customers	16,337	663	210	284
Loss allowance	–	–	(180)	(284)
Receivables for customers to be invoiced	203	–	–	–
Total Receivables from customers	**16,540**	**663**	**30**	**–**

21. Other current assets

(€'000)	31 December 2020	31 December 2019	Change
Payments on account to suppliers	12,081	12,923	(842)
Other receivables	2,637	6,810	(4,173)
Other tax assets	3,931	16,566	(12,635)
Costs to obtain the contracts	5,053	5,792	(739)
Accrued income and prepaid expenses	6,732	3,916	2,816
Other receivables and other current assets	**30,434**	**46,007**	**(15,573)**

The item "Other current assets" amounted to €30,434 thousand and €46,007 thousand as at 31 December 2020 and 31 December 2019, respectively. All the amounts due are deemed to be collectable and, therefore, they have not been impaired.
Over the year ended 31 December 2020, this item shows a decrease of €15,573 thousand due primarily to a decrease in tax receivables. The decrease of this item refers mainly to the use of the VAT credit relating to the Parent Company and to Bluegame S.r.l.
In addition, costs for the acquisition of contracts related to agency commissions were down by €739 thousand. Agency fees were recognised in the income statement based on a time approach that follows the work in progress on a boat.

22. Cash and cash equivalents

(€'000)	31 December 2020	31 December 2019	Change
Banks and postal current account	94,313	60,152	34,161
Cash on hand	46	34	12
Cash and cash equivalents	**94,359**	**60,186**	**34,173**

Cash and cash equivalents amounted to €94,359 thousand and €60,186 thousand as at 31 December 2020 and 2019, respectively. The statement of cash flows provides more information about changes in cash and cash equivalents.

23. Other financial assets, including derivatives

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

(€'000)	31 December 2020	31 December 2019	Change
Loans granted to holding company	–	1	(1)
Term current accounts	–	6,500	(6,500)
Derivatives	647	153	494
Total other financial assets	**647**	**6,654**	**(6,007)**

Derivatives were equal to €647 thousand and €153 thousand as at 31 December 2020 and 31 December 2019 respectively. They include currency hedges (EUR/USD) and interest rate hedges with a positive fair value (Mark to Market Value) at the end of the year. The Group uses derivatives to hedge against the risk of fluctuations in the US dollar for its sales in that currency and the risks that interest rates on its loans and borrowings may increase.

The current account in escrow created as a guarantee on a loan with Crédit Agricole, which, as at 31 December 2019, was equal to €6,500 thousand, was released at the beginning of 2020.

EQUITY AND LIABILITIES

24. Share capital and reserves

Group equity

(€'000)				Other reserves					
	Share Capital	Share premium	Total other reserves	Legal reserve	Extraordinary reserve	Consolidation reserve	Stock option reserve	Purchase of treasury shares	
Value as at 31 December 2019	**34,500**	**76,549**	**15,207**	**1,507**	**17,460**	**(3,316)**	**-**	**-**	
Allocation of profit for the period	–	–	27,030	1,453	27,606	–	–	–	
Change in the hedging reserve	–	–	451	–	–	–	–	–	
Adjustment IFRS FTA	–	–	(37)	–	–	–	–	–	
Purchase of treasury shares	–	–	(899)	–	–	–	–	(899)	
Other changes	–	–	(1,563)	–	–	(4,331)	332	–	
Profit for the period	–	–	–	–	–	–	–	–	
Value as at 31 December 2020	**34,500**	**76,549**	**40,189**	**2,960**	**45,066**	**(7,647)**	**332**	**(899)**	

Other reserves								
Other reserves	Reserve FTA/ OCI	Profit from previous years	Cash flow hedge reserve	Profit for the period	Equity attributable to the owners of the parent	Equity attributable to non-controlling interests	Total equity	
230	**(217)**	**(21)**	**(436)**	**27,030**	**153,286**	**(2,455)**	**150,831**	**Value as at 31 December 2019**
(2,029)	–	–	–	(27,030)	–	–	–	Allocation of profit for the period
–	–	–	451	–	451	–	451	Change in the hedging reserve
–	(37)	–	–	–	(37)	–	(37)	Adjustment IFRS FTA
–	–	–	–	–	(899)	–	(899)	Purchase of treasury shares
2,267	–	169	–	–	(1,563)	2,200	637	Other changes
–	–	–	–	34,508	34,508	(100)	34,408	Profit for the period
468	**(254)**	**148**	**15**	**34,508**	**185,746**	**(355)**	**185,391**	**Value as at 31 December 2020**

Share capital and share premium

Ordinary shares

As at 31 December 2020, the share capital, fully paid-up and subscribed, amounted to €34,500 thousand and comprised 34,500,000 shares with no indication of their nominal value.

On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo S.p.A. approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum number of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan. This capital increase has not yet been subscribed, not even partially.

Share premium

The share premium amounted to €76,549 thousand resulting from the capital increase carried out by the shareholders in the periods 2011 and 2013, its partial use in the year 2014 for a bonus issue, by the Parent Company, the decrease of €19,539 thousand due to the impact of the reverse merger with WindCo and the capital increase linked to the IPO transaction completed in 2019, equal to €65,160 thousand net of placement commissions.

Nature and purpose of other reserves

(€'000)	31 December 2020	31 December 2019	Change
Legal reserve	2,960	1,507	1,453
Reserve FTA/OCI	(254)	(217)	(37)
Extraordinary reserve	45,066	17,460	27,606
Consolidation reserve	(7,647)	(3,316)	(4,331)
Post-merger reserve	49	49	–
Reserve from elimination of exchange differences	332	94	238
merger surplus	87	87	–
Stock option reserve	332	–	332
Negative reserve for treasury shares in portfolio	(899)	–	(899)
Profit from previous years	148	(21)	169
Cash flow hedge reserve	15	(436)	451
Other reserves	**40,189**	**15,207**	**24,982**

The item comprises:

- Post-merger reserve established by the Company with capital contributions from the shareholders for €49 thousand as at 31 December 2020 and 31 December 2019, respectively. There were no changes in this reserve.

- The consolidation reserve, which includes the difference between the carrying amount of the group's equity investments and its share of the investees' equity. It had a negative balance of €7,647 thousand and €3,316 thousand as at 31 December 2020 and 31 December 2019 respectively.
- Extraordinary reserve, relating to the Parent Company, of €45,066 thousand and €17,460 thousand as at 31 December 2020 and 31 December 2019, respectively. The increase was due to the allocation of the profit of the previous year.
- The merger surplus of €87 thousand and €87 thousand as at 31 December 2020 and 31 December 2019 relates to the Parent Company, and was formed following the merger by incorporation with Eureka Imbarcazioni S.r.l. carried out in 2012.
- The Reserve from elimination of exchange differences for €332 thousand and for €94 thousand as at 31 December 2020 and 31 December 2019, respectively. The reserve was established in 2019 for the exchange differences between the profit and loss and balance sheet in the financial statements of Sanlorenzo of the Americas and for the differences in intra-group cancellations.
- The Cash flow hedge reserve, relating to the Parent Company, was a positive €15 thousand as at 31 December 2020 and a negative €436 thousand as at 31 December 2019.
- The Reserve FTA/OCI, which was affected by the transition of the financial statements to IFRS, in the amount of €(254) thousand as at 31 December 2020 and €(217) as at 31 December 2019.
- Profit/loss from previous years for €148 thousand as at 31 December 2020 and €(21) thousand as at 31 December 2019 was due to the impact of IFRS 16.
- Legal reserve, which includes the allocation carried out by the Parent Company up to €2,960 thousand according to the provisions of the Italian Civil Code.
- The stock option reserve, recognized for a positive value of €332 thousand, expresses the value of the option, recognized on a straight-line basis over the period between the grant date and the vesting date. The aforementioned reserve refers to the stock incentive plan approved by the Ordinary Shareholders' Meeting of 21 April 2020 and reserved for executive directors and key employees of Sanlorenzo and its subsidiaries. The vesting period of the options has been set at four years and each option allows the purchase of one Sanlorenzo share at the price of €16.00. For further details relating to the aforementioned Plan, please refer to the Annual Report on the remuneration policy and the remuneration paid.
- The negative reserve for treasury shares in the portfolio of €(899) thousand relating to the purchase of 58,666 treasury shares carried out in 2020.

Equity attributable to non-controlling interests

The change in non-controlling interests is mainly due to the purchase by the Parent Company of minority interests in Sanlorenzo Baleari SL and Marine Yachting Monaco SAM and, to a lesser extent, to the net profit for the period. The item stood at €(355) thousand as at 31 December 2020 on €(2,455) thousand as at 31 December 2019.

Capital management

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

25. Financial liabilities

(€'000)	31 December 2020	31 December 2019	Change
Bank loans and borrowings (beyond 12 months)	57,932	54,706	3,226
Other loans and borrowings (beyond 12 months)	4,813	1,903	2,910
Total non-current loans and borrowings	**62,745**	**56,609**	**6,136**
Short-term bank loans and borrowings	25,790	17,764	8,026
of which, bank loans	*25,572*	*17,394*	*8,178*
of which, bank advances	*–*	*16*	*(16)*
other short-term loans and borrowings	*218*	*354*	*(136)*
Short-term loans and borrowings from other lenders	2,127	1,022	1,105
Derivatives (current portion)	515	508	7
Total current loans and borrowings	**28,432**	**19,294**	**9,138**
Total financial liabilities	**91,177**	**75,903**	**15,274**

Total non-current loans and borrowings amounted to €62,745 thousand and €56,609 thousand as at 31 December 2020 and 31 December 2019, respectively. The caption mainly refers to long-term loans and borrowings stipulated by the Parent Company for €53,708 thousand and €54,607 thousand as at 31 December 2020 and 31 December 2019, respectively.
The non-current portion of other loans and borrowings amounted to €4,813 thousand as at 31 December 2019 and €1,903 as at 31 December 2020 respectively and refers to the impact of IFRS 16.
The item "Total current loans and borrowings", equal to €28,432 thousand and €19,294 thousand as a 31 December 2020 and 31 December 2019, respectively, referred primarily to:

- the current portion of the bank loans for €25,572 thousand and €17,394 thousand, respectively as at 31 December 2020 and 31 December 2019, including the book value of the loans due within 12 months and the accruals of related interest due to the financing institutions.
- advance accounts relating to the Parent Company and the subsidiary Bluegame S.r.l. amounting to €0 thousand and €16 thousand as at 31 December 2020 and 31 December 2019, respectively;
- other financial payables of €218 thousand as at 31 December 2020 and €354 thousand as at 31 December 2019, relating primarily to the Parent Company and the subsidiary Bluegame S.r.l.;
- other loans and borrowings of €2,127 thousand as at 31 December 2020 and €1,022 thousand as at 31 December 2019, entirely referred to the effect of the application of IFRS 16;
- liabilities for financial instruments hedging foreign exchange risk and interest rate risk totalling €515 thousand and €508 thousand as at 31 December 2020 and 31 December 2019, respectively.

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

(€'000)	
Financial liabilities as at 31 December 2019	**75,903**
Changes in advances	(16)
Changes in fair value of derivatives	7
New loans	42,783
Repayment of loans	(31,349)
Changes in other loans and borrowings	(166)
New finance leases - IFRS 16 application	4,229
Repayment of finance leases	(214)
Financial liabilities as at 31 December 2020	**91,177**

The breakdown of net financial debt of Sanlorenzo Group as at 31 December 2020 and as at 31 December 2019 is reported below:

(€'000)		31 December 2020	31 December 2019
A	Cash and cash equivalents	(94,359)	(60,186)
B	Other cash flows	–	–
C	Securities held for trading	–	–
D	**Cash**	**(94,359)**	**(60,186)**
E	**Current financial receivables**	**(647)**	**(6,654)**
F	Current bank payables	218	370
G	Current portion of debt	25,572	17,394
H	Other current financial payables	2,642	1,530
I	**Current financial debt (F + G + H)**	**28,432**	**19,294**
J	**Net current financial debt (I + E + D)**	**(66,574)**	**(47,546)**
K	Non-current bank payables	57,932	54,706
L	Bonds issued	–	–
M	Other non-current payables	4,813	1,903
N	**Non-current financial debt (K + L + M)**	**62,745**	**56,609**
O	**Net financial position (J + N) with ESMA Recommendation**	**(3,829)**	**9,063**

For details, see the Report on operations.
As at 31 December 2020, like in previous years, the Group was required to comply with some financial parameters (covenants) on loans to be calculated, on an annual basis, in the consolidated financial statements. As at 31 December 2020, these parameters were complied with.

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

The following table shows the conditions and due dates of the loans as at 31 December 2020 and 31 December 2019, respectively.

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2020					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Sanlorenzo S.p.A.								
Banco BPM - unsecured loan €5m 30.06.22	1.50%	2022	1,579	17	1,562	1,039	523	–
Banco BPM - unsecured loan €6m 29.12.23	0.90%	2023	3,634	19	3,615	1,190	2,425	–
Banco BPM - mortgage loan €7.75m 31.12.25	1.20%	2025	3,198	31	3,167	615	2,552	–
Banco BPM - mortgage loan €814k 31.12.30	1.00%	2030	714	–	714	68	279	367
Banco BPM - mortgage loan €7.41m 31.12.30	1.00%	2030	6,498	–	6,498	618	2,542	3,338
Banco di Sardegna - unsecured loan €5m 28.03.23	1.20%	2020	–	–	–	–	–	–
Banco di Sardegna - unsecured loan €5m 30.09.25	0.50%	2025	4,753	2	4,751	991	3,761	–
BNL - mortgage loan €6.25m 12.12.19	3.80%	2019	–	–	–	–	–	–
Banco BPM - unsecured loan €5m 30.06.22	0.45%	2022	3,750	–	3,750	2,500	1,250	–
BPER - unsecured loan €5m 30.09.25	0.50%	2025	4,753	–	4,753	991	3,762	–
Cassa di Risparmio di Bra - unsecured loan €5m 28.03.23	1.20%	2020	–	–	–	–	–	–
Carige - unsecured loan €2.5m 28.02.19	0.90%	2019	–	–	–	–	–	–
Carige - unsecured loan €5m 31.12.23	1.15%	2023	3,040	11	3,029	994	2,035	–
Cassa Depositi e Prestiti - unsecured loan €10m 31.12.26	0.95%	2026	8,571	–	8,571	1,429	5,714	1,429
Crédit Agricole - mortgage loan €15m 29.11.26	0.75%	2026	9,473	49	9,424	1,536	6,282	1,607
Creval - unsecured loan €7m 05.07.23	1.25%	2023	3,923	5	3,918	1,408	2,510	–
Deutsche Bank - unsecured loan €7.5m 31.03.23	0.50%	2023	3,375	3	3,372	1,498	1,874	–
Intesa Sanpaolo - unsecured loan €3m 13.07.22	0.70%	2022	1,050	–	1,050	600	450	–
MPS - unsecured loan €2.5m 30.06.19	0.90%	2019	–	–	–	–	–	–
MPS - unsecured loan €6m 31.12.23	0.70%	2023	3,600	12	3,588	1,194	2,394	–
UBI - unsecured loan €5m 06.06.21	0.95%	2021	846	1	845	845	–	–
UBI - unsecured loan €3m 13.05.21	0.40%	2021	2,500	–	2,500	2,500	–	–
UniCredit - unsecured loan €15m 31.12.22	1.40%	2020	–	–	–	–	–	–
UniCredit - unsecured loan €8.25m 31.12.22	0.30%	2022	6,000	19	5,981	2,987	2,995	–
UniCredit - unsecured loan €6m 30.09.25	0.20%	2025	6,000	6	5,994	373	5,621	–
Total Sanlorenzo S.p.A.			**77,257**	**175**	**77,082**	**23,374**	**46,968**	**6,740**

31 December 2019						
Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
						Sanlorenzo S.p.A.
2,632	(43)	2,589	1,030	1,559	–	Banco BPM - unsecured loan €5m 30.06.22
4,823	(31)	4,792	1,179	3,613	–	Banco BPM - unsecured loan €6m 29.12.23
3,812	(51)	3,761	596	2,507	658	Banco BPM - mortgage loan €7.75m 31.12.25
781	–	781	67	277	437	Banco BPM - mortgage loan €814k 31.12.30
7,109	–	7,109	612	2,514	3,983	Banco BPM - mortgage loan €7.41m 31.12.30
3,284	(9)	3,275	993	2,282	–	Banco di Sardegna - unsecured loan €5m 28.03.23
–	–	–	–	–	–	Banco di Sardegna - unsecured loan €5m 30.09.25
–	–	–	–	–	–	BNL - mortgage loan €6.25m 12.12.19
–	–	–	–	–	–	Banco BPM - unsecured loan €5m 30.06.22
–	–	–	–	–	–	BPER - unsecured loan €5m 30.09.25
3,284	(9)	3,275	993	2,282	–	Cassa di Risparmio di Bra - unsecured loan €5m 28.03.23
–	–	–	–	–	–	Carige - unsecured loan €2.5m 28.02.19
4,027	(16)	4,011	971	3,040	–	Carige - unsecured loan €5m 31.12.23
–	–	–	–	–	–	Cassa Depositi e Prestiti - unsecured loan €10m 31.12.26
14,259	(93)	14,166	1,482	6,158	6,526	Crédit Agricole - mortgage loan €15m 29.11.26
5,307	(9)	5,298	1,378	3,920	–	Creval - unsecured loan €7m 05.07.23
4,875	(9)	4,866	1,497	3,369	–	Deutsche Bank - unsecured loan €7.5m 31.03.23
1,650	(1)	1,649	599	1,050	–	Intesa Sanpaolo - unsecured loan €3m 13.07.22
–	–	–	–	–	–	MPS - unsecured loan €2.5m 30.06.19
4,800	(20)	4,780	1,193	3,587	–	MPS - unsecured loan €6m 31.12.23
2,522	(7)	2,515	1,670	845	–	UBI - unsecured loan €5m 06.06.21
–	–	–	–	–	–	UBI - unsecured loan €3m 13.05.21
9,000	–	9,000	3,000	6,000	–	UniCredit - unsecured loan €15m 31.12.22
–	–	–	–	–	–	UniCredit - unsecured loan €8.25m 31.12.22
–	–	–	–	–	–	UniCredit - unsecured loan €6m 30.09.25
72,165	**(298)**	**71,867**	**17,260**	**43,003**	**11,604**	**Total Sanlorenzo S.p.A.**

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2020					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Bluegame S.r.l.								
Banco BPM - unsecured loan €350k 31.01.22	2.80%	2022	99	–	99	91	8	–
Unicredit - unsecured loan €4.5m 30.09.25	0.30%	2025	4,500	4	4,496	280	4,216	–
Bluegame S.r.l.			**4,599**	**4**	**4,595**	**371**	**4,224**	**–**
Sanlorenzo of the Americas LLC								
Intesa Sanpaolo - uncommitted credit facility $10m	2.00%	Withdrawal	1,827	–	1,827	1,827	–	–
Sanlorenzo of the Americas LLC			**1,827**	**–**	**1,827**	**1,827**	**–**	**–**
Group total			**83,683**	**179**	**83,504**	**25,572**	**51,192**	**6,740**

31 December 2019						
Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years	
						Bluegame S.r.l.
187	(1)	186	88	98	–	Banco BPM - unsecured loan €350k 31.01.22
–	–	–	–	–	–	Unicredit - unsecured loan €4.5m 30.09.25
187	**(1)**	**186**	**88**	**98**	**–**	**Bluegame S.r.l.**
						Sanlorenzo of the Americas LLC
–	–	–	–	–	–	Intesa Sanpaolo - uncommitted credit facility $10m
–	**–**	**–**	**–**	**–**	**–**	**Sanlorenzo of the Americas LLC**
72,352	**(299)**	**72,053**	**17,348**	**43,101**	**11,604**	**Group total**


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26. Trade payables

(€'000)	31 December 2020	31 December 2019	Change
Trade payables	137,059	152,021	(14,962)
Affiliated companies	153	139	14
Holding company	26	29	(3)
Trade payables	**137,238**	**152,189**	**(14,951)**

Trade payables include amounts due to suppliers and payables due to affiliated companies and the holding company.
"Trade payables" amounted to €137,059 thousand and €152,021 thousand as at 31 December 2020 and 31 December 2019, respectively. The change recorded is in line with the increase in the business volume and the investments observed in the period analysed.
"Affiliated companies" shows a balance of €139 thousand as at 31 December 2019 and €153 thousand as at 31 December 2020.
A breakdown of trade payables as current and non-current is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Trade payables	137,059	152,021	(14,962)
of which current	137,059	152,021	(14,962)
Trade payables	**137,059**	**152,021**	**(14,962)**

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

(€'000)	31 December 2020	31 December 2019	Change
Italy	129,915	145,631	(15,716)
Europe (other countries)	4,759	5,871	(1,112)
Americas	2,280	317	1,963
APAC	92	202	(110)
Middle East	13	–	13
Trade payables	**137,059**	**152,021**	**(14,962)**

27. Other current liabilities

(€'000)	31 December 2020	31 December 2019	Change
Social security contributions	1,936	2,486	(550)
Other liabilities	6,926	8,425	(1,499)
Accrued expenses and deferred income	9,504	7,704	1,800
Other current liabilities	**18,366**	**18,615**	**(249)**

"Social security contributions" show liabilities at the reporting date due to INPS, INAIL and Previndai (Italian social security institutions) for contributions due on wages and salaries. They were equal to €1,936 thousand as at 31 December 2020 and €2,486 thousand as at 31 December 2019.
"Other liabilities" amounted to €6,926 thousand and €8,425 thousand as at 31 December 2020 and 31 December 2019, respectively. The €1,499 decrease mainly relates to the Parent Company and refers to the payment of the rent for the Viareggio and Massa warehouses formerly of Immobiliare FIPA S.r.l. in liquidation.
"Accrued expenses and deferred income" were up between 2019 and 2020 by €1,800 thousand. Deferred income mainly refers to commissions due, which accrue according to the progress of work on the construction of boats.

28. Employee benefits

(€'000)	
31 December 2019	**796**
Accruals	55
Interest	9
Utilisations	(68)
Incoming and outgoing employees	–
Present value as at 31 December 2020	**792**
Net actuarial gains/(losses) based on past experience	39
Net actuarial gains/(losses) arising on changes to demographic assumptions	–
Net actuarial gains/(losses) arising on changes to financial assumptions	14
31 December 2020	**845**

Post-employment benefits are recognised by the Group's Italian companies, in line with reference national legislation. They include benefits accrued by employees at the reporting date, net of advances received or sums transferred to the Italian pension funds Previndai, Gomma Plastica, Cometa or other pension funds or the INPS treasury fund.
In accordance with IAS 19, the group measures post-employment benefits using actuarial valuation methods performed by an external expert. These methods are revised when necessary.
Post-employment benefits amounted to €845 thousand as at 31 December 2020.

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

FINANCIAL ASSUMPTIONS

	31 December 2020	31 December 2019
Annual discount rate	0.34%	0.77%
Annual inflation rate	0.80%	1.20%
Annual growth rate of post-employment benefits	2.10%	2.40%
Annual remuneration growth rate	0.50%	0.50%

DEMOGRAPHICAL ASSUMPTIONS

Mortality	RG48 mortality tables published by the Italian State General Accounting Office
Disability	INPS tables split by age and gender
Retirement	100% upon attainment of the AGO requirements

ANNUAL TURNOVER RATE AND ADVANCES OF POST-EMPLOYMENT BENEFITS

	31 December 2020	31 December 2019
Advances	1.00%	1.00%
Turnover rate	1.50%	1.50%

As at 31 December 2020, net actuarial gains based on past experience were equal to €39 thousand. These are gains/(losses) due to variations from one valuation to another in terms of new, outgoing and retired employees, requests for advances, etc. that differ from those assumed. There was also a net actuarial gain arising on changes in financial assumptions equal to €14 thousand.

29. Provisions for risks and charges

Provisions for risks and charges

(€'000)	Disputes	Warranties	Exchange rates fluctuations	Pre-owned	Total
Provisions for risks and charges as at 31 December 2019	**2,534**	**4,123**	**45**	**3,510**	**10,212**
Accruals	4,055	659	–	2,101	6,815
Utilisations	–	–	(45)	(2,914)	(2,959)
Provisions for risks and charges as at 31 December 2020	**6,589**	**4,782**	**–**	**2,697**	**14,068**

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

- Provision for disputes: refers to the amount prudently set up aside by the Parent Company. This item amounted to €6,589 thousand as at 31 December 2020 and €2,534 thousand as at 31 December 2019. More details on these disputes are provided in the following paragraph.
- Provision for warranties: it was calculated based on the best estimate of the cost of possible repairs to be provided under warranty to boats sold at the reporting dates for which it has already recognised the contract revenue. The provision covers the new boats sold by the Parent Company and the subsidiary Bluegame S.r.l.. The balance was equal to €4,782 thousand as at 31 December 2020 and €4,123 thousand as at 31 December 2019, respectively. The warranty term normally amounts to two years for new boats and one year for pre-owned boats.
- Provision for risks used goods: this was equal to €2,697 thousand as at 31 December 2020 and €3,510 thousand as at 31 December 2019. It refers to the risks deriving from the commitments to take back used goods on new boats.

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

(€'000)	31 December 2020	31 December 2019	Change
Warranties	4,782	4,123	659
of which current	3,393	3,210	183
of which non-current	1,389	913	476
Total	**4,782**	**4,123**	**659**

All other provisions are current.

Administrative, in-court and arbitration proceedings

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

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

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

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

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

Excluding that set out below, at the date of approval of these consolidated financial statements, the Group is not involved in legal or arbitration proceedings that could have or have had in the recent past significant repercussions on its financial position or performance.

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

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

Arbitration proceedings

At the date of approval of these consolidated financial statements, the Parent Company and the Maltese company Contra Limited ("Contra") are part of an arbitration case in London. Contra, purchaser of a SD110 yacht, complained about the Company's non-fulfilment of the obligations assumed under the sale contract, requesting the latter's termination and sentencing of the Company to repay the price paid and compensation for the alleged damages suffered, for an amount of around €10,000,000. In relation to said dispute, the Company booked a liability of €895 thousand to the consolidated financial statements corresponding to the risk considered likely in respect of said proceedings based on the estimates of its UK legal advisors.

Tax proceedings

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

- two assessment notices for IRES, IRAP and VAT issued by the tax authority of the region of Liguria and relating to the 2013 and 2014 tax periods. The first assessment notice requests payment of taxes for a total of €515 thousand, plus penalties of €586 thousand and interest. The second assessment notice, requests payment of taxes for a total of €317 thousand, plus penalties of €293 thousand and interest;
- a formal invitation to join the tax audit conclusions for IRES, IRAP and VAT purposes issued by the tax authority of the region of Liguria for the 2015 tax period, in which tax issues equal to €698 thousand were identified, plus penalties of €257 thousand and interest;
- a formal notice of findings for IRES, IRAP and VAT issued by the tax authority of the region of Liguria, for the 2016 tax period. This report on findings contains a request for the payment of taxes equal to €2,157 thousand, with penalties estimated at €2,025 thousand.

With reference to the assessment notice for the 2013 tax period, as it was not possible to settle through conciliation proceedings, the Company has appealed to the tax commission of the province of Genova. On 14 December 2020, the tax commission issued a judgement in favour of the Company with regard to the main finding. With the recent notification of the appeal, the tax authority of the region of Liguria started the procedure before the regional tax commission.

With regard to the assessment notice for the 2014 tax period, as it was not possible to agree on the exceptions through conciliation proceedings, the Company has filed an appeal with the tax commission of the province of Genova. The hearing has been set for 7 April 2021.

With reference to the formal invitation to join the tax audit conclusions for the 2015 tax period, it should be noted that the cross-examination with the office is currently ongoing, with the aim of agreeing to a consolidation. With regard to the same tax period and with reference to the tax credit for Research and Development, the tax authority of the region of Liguria has requested specific clarifications, to which the Company is preparing a response through its defence counsel.

With regard to the audit on the 2016 tax period, the tax authority of the region of Liguria has informed the Company that it had forwarded the documentation regarding the tax credit for Research and Development to the Ministry of Economic Development, to which it pertains to express an opinion on the technical issues regarding the eligibility of expenses included in the scope of the tax benefit. The outcome of this assessment has not yet been disclosed.

To mitigate the risk regarding these tax audits, the Company has adjusted the value of the existing provision for risks, bringing it to €2,589 thousand.

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

30. Financial instruments – Fair values and risk management

Derivatives

The Group uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. This item includes the fair value of derivatives in place as at 31 December of each year.
Specifically, as at 31 December 2020, the Group had the following derivatives in its portfolio:

- forward agreements relating to sales of US dollars against euros for a notional total of €14,970 thousand taken out by the Parent Company and designated as hedges of the amounts received in US dollars by the subsidiary Sanlorenzo of the Americas LLC;
- interest rate swaps and interest rate caps for a notional total of €44,424 thousand taken out by the Parent Company and Bluegame S.r.l. and designated as interest rate hedges on medium/long-term loans.

(€'000)	31 December 2020	31 December 2019	Change
Derivative assets			
Currency hedges	1	148	(147)
Interest rate swaps	646	4	642
Total assets	**647**	**152**	**495**
Derivative liabilities			
Currency hedges	–	(5)	5
Interest rate swaps	(515)	(503)	(12)
Total liabilities	**(515)**	**(508)**	**(7)**

Derivative assets amounted to €647 thousand and €152 thousand as at 31 December 2020 and 31 December 2019, respectively.
Derivative liabilities amounted to €515 thousand and €508 thousand as at 31 December 2020 and 31 December 2019, respectively.
As the derivatives used by the Group qualify as hedges, their valuation takes place at fair value level 2.

Risk factors

Credit risk

It is noted that, given the type of products sold by the Group, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership.
Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the Group business, the Group improved the prevention and monitoring processes for credit-checks, using external sources and internal systems that allow preventive controls on customers' reliability and solvency.

Liquidity risk

The Group mitigates liquidity risk by reinvesting cash flows from operations and by obtaining loan commitments, considered more than adequate to meet its financial requirements.
As at 31 December 2020, the Group had bank credit facilities to meet its liquidity needs equal to €134,699 thousand[13], an increase of €52,799 thousand compared to 31 December 2019, of which €132,872 thousand had not been used.

Risks related to changes in the reference regulatory framework

The Group is required to comply with laws and technical regulations applicable to its products and their sale in the countries where it operates and sells its products.
With respect to its production activities, regulations about (i) occupational health and safety, (ii) environmental protection, and (iii) boat building technical standards are very important, also because their modification could lead to higher production costs.
The issue of new regulations or changes to existing regulations could require the Group to adopt tougher standards, which could entail costs to align the production methods or product characteristics or, even limit the Group's operations. This could have a negative effect on its business and prospects as well as its financial position, financial performance and cash flows.
With respect to the sale of the holding company and Group's products, any regulatory changes to the taxation or sale of the yachts (e.g. VAT), import duties and taxes on luxury goods, embargos or sailing (e.g. regulations about fuel, the environmental impact and emissions) may affect the Group's business and, hence, its financial position, financial performance and cash flows.

Risks related to disputes and tax audits

The Parent Company and the Group could be involved in legal proceedings giving rise to the risk of having to pay fines and incurring sanctions.
The Parent Company is also exposed to the risk that the outcome of pending disputes involving large amounts may not be in its favour and this would have a negative effect on its financial position, financial performance and cash flows.

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

Exposure to interest rate fluctuation

The Group is exposed to changes in interest rates on its variable rate debt instruments in the Euro area. The Group adopts precise strategies aimed at reducing the risks connected with changes in interest rates, such as hedging transactions through interest rate swaps or interest rate caps with financial counterparties of prime standing.

Exposure to exchange rate fluctuations

Consistently with the geographical distribution of its turnover, the Group's exposure to foreign exchange risk is limited, as the Euro is the currency primarily used for the sale of yachts.
In order to mitigate the negative effect of exchange rate fluctuations, in the limited cases of sales of yachts in other currencies (mainly USD in the U.S.A. market), specific currency swaps or forward currency sales transactions are set up when the related contract with the customer is entered into.

GROUP STRUCTURE

31. Subsidiaries

These Consolidated Financial Statements as at 31 December 2020 were prepared on the basis of the accounting positions of the Parent Company and its subsidiaries, adjusted to ensure compliance with the IFRS.
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.
The consolidation criteria adopted in the preparation of these consolidated financial statements are the same as those adopted in the last annual financial statements.
These consolidated financial statements include Sanlorenzo S.p.A. (Parent Company) and four companies controlled directly by Sanlorenzo S.p.A. (Bluegame S.r.l., Marine Yachting Monaco SAM, Sanlorenzo Baleari SL and Sanlorenzo of the Americas LLC).
The following table provides information, as at 31 December 2020, concerning the name and registered office of all subsidiaries, as well as the Group's direct or indirect holding in their share capital.

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

Bluegame S.r.l.

This company, with registered office in Viareggio, was set up at the end of 2017 to acquire the historical "Bluegame" brand from Open Boat Italia, a company owning yacht moulds, under deed of arrangement.
In 2019, the Parent Company acquired a 49.5% stake in Bluegame from other shareholders, which, added to the 50.5% stake already in its possession, has given it a 100% stake.
The company ended 2020 with a net profit equal to €2,024 thousand, up significantly compared to the €752 thousand recorded in 2019.

Sanlorenzo of the Americas LLC

Based in Fort Lauderdale (Florida, USA), this company's business objective is to sell Sanlorenzo boats to international customers in Canada, the US and Central and South America as well as acting as a dealer and providing post-sale support in these markets. Since its incorporation in September 2008, Sanlorenzo of the Americas has steadily promoted the Sanlorenzo brand in the American markets.
On 15 July 2019, Sanlorenzo S.p.A sold a 10% stake in Sanlorenzo of the Americas to the chief executive officer of the company, Marco Segato.
In the year ended 31 December 2020, the subsidiary recorded a €77 thousand gain for IRES purposes, against a €1,889 thousand loss as at 31 December 2019.

Sanlorenzo Baleari SL

This company, based in Puerto Portals, Mallorca (Spain) with a share capital of €500 thousand, provides support to the sales and customer service activities in Spain and the Balearic Islands.
In 2020, Sanlorenzo S.p.A. subscribed the entire share capital, increasing its stake from 51% to 100%.
In 2020, the company recorded a profit equal approximately to €183 thousand against a €37 thousand loss recorded in 2019.

Marine Yachting Monaco S.A.M.

The company, with registered office in the Principality of Monaco and a share capital of €150 thousand, carries out sales support and service activity to customers in the area.
On 28 September 2020, Sanlorenzo S.p.A. acquired a 40.0% stake in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Currently, Sanlorenzo S.p.A. holds 99.7% of the share capital of Marine Yachting Monaco.
The Company reported a €89 thousand loss in 2020 against a €28 thousand profit in 2019.

32. Associated companies

The Parent Company also holds a stake in the associated company Polo Nautico Viareggio, a limited liability consortium, ("Polo Nautico"), which manages, for the consortium companies, a yard of approx. 7,000 square metres on the sea front, including mooring quays and the relevant equipment and services, in Viareggio.
On 20 January 2020, the share capital of Polo Nautico was increased from €67,400 to €667,400, with €300,000 of the share capital increase subscribed by Sanlorenzo. Following the share capital increase, the stake held by Sanlorenzo in Polo Nautico increased from 48.15% to 49.81%.
The stake in Polo Nautico is recognised in the Company's financial statements with the equity method.

ADDITIONAL INFORMATION

33. Commitments

The most significant contractual commitments undertaken with third parties as at 31 December 2020 refer to:

- corporate guarantees issued by the Parent Company on a €6,916 thousand loan granted to a brand representative for the purchase of boats of the Group;
- corporate guarantee issued by the Parent Company to Banco BPM for a €1,907 thousand loan granted to the associate Polo Nautico Viareggio S.r.l.;
- sundry sureties for a total of €305 thousand relating to state concessions, guarantees issued to public administrations, etc.

34. Contingent liabilities

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

35. Related parties

Economic and financial relationships with related parties are settled under market conditions, taking into account the characteristics of the goods and services provided.
Transactions with related parties deemed relevant pursuant to the "Procedure on related-party transactions" adopted by the Group, available on the Company's website (www.sanlorenzoyacht.com) under the "Corporate Governance" section, are described below.
Business transactions and balances with consolidated companies were eliminated on consolidation and, therefore, are not commented upon.
In 2020, outstanding transactions with related parties regard primarily business and financial transactions carried out under market conditions, as listed below:

- Holding Happy Life S.r.l.: business transactions with Holding Happy Life S.r.l (HHL), the holding company of Sanlorenzo, regard the contract for the acquisition of a Sanlorenzo yacht signed on 26 June 2019 based on the approval resolution of the Sanlorenzo Board of Directors of 24 June 2019 pursuant to the regulations on conflicts of interests. The boat was delivered in 2020; following delivery, HHL makes the yacht available to Sanlorenzo for marketing activities pursuant to the charter agreement stipulated between the parties. On 16 November 2020, the contract for the supply of a new vessel was also signed, after approval of the Board of Directors of Sanlorenzo on 9 November 2020.

- Nuova Nautical Transports S.r.l.: business transactions with Nuova Nautical Transports S.r.l., the chief executive officer of which, Gian Paolo Tamburini, is the uncle of the Executive Chairman Massimo Perotti and great uncle of Cecilia Maria Perotti, regard read haulage activity for Sanlorenzo, pursuant to the framework agreement concluded on 6 April 2020, expiring on 31 December 2022, after the resolution of the Sanlorenzo Board of Directors on 20 March 2020;
- World Yachts S.r.l.: business transactions with World Yachts S.r.l., the shareholder and chief executive officer of which, Glenda Cecchi, is the wife of the senior executive Ferruccio Rossi, regard supplies of materials to Sanlorenzo, pursuant to the framework agreement concluded on 6 April 2020, expiring on 31 December 2022, after the resolution of the Sanlorenzo Board of Directors on 20 March 2020;
- Cesare Perotti: son of the Executive Chairman Massimo Perotti and brother of the director Cecilia Maria Perotti, Cesare Perotti was hired by the subsidiary Bluegame S.r.l. with an apprenticeship contract, transaction examined by the Board of Directors on 9 November 2020;
- Ferruccio Rossi: financial transactions with the senior executive Ferruccio Rossi regard a loan granted by Sanlorenzo on 9 July 2018;
- Antonio Santella: financial transactions with the senior executive Antonio Santella regard a loan granted by Sanlorenzo on 20 July 2018.

The tables below provide information on transactions with related parties as at 31 December 2020 impacting the income statement as well as the balance sheet.

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing costs	Other service costs	Personnel expenses	Net financial income/(expenses)
Holding Happy Life S.r.l.	9,489	–	–	(120)	–	–
Nuova Nautical Transports S.r.l.	–	–	–	(441)	–	–
World Yachts S.r.l.	7	(2,566)	(31)	(5)	–	–
Ferruccio Rossi	–	–	–	–	(854)	–
Antonio Santella	–	–	–	–	(799)	–
Cesare Perotti	**–**	**–**	**–**	**–**	**(12)**	**–**
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	(6,321)	–
Total related parties	**9,496**	**(2,566)**	**(31)**	**(566)**	**(7,986)**	**–**
Total consolidated financial statements	**533,196**	**(219,798)**	**(171,826)**	**(45,722)**	**(37,992)**	**(2,174)**
% Impact	1.8%	1.2%	0.0%	1.2%	21.0%	–

(€'000)	Other current assets	Contract assets	Trade receivables	Contract liabilities	Trade payables	Other current liabilities
Holding Happy Life S.r.l.	–	–	–	547	26	–
Nuova Nautical Transports S.r.l.	27	–	1	–	40	–
World Yachts S.r.l.	–	–	–	–	802	–
Ferruccio Rossi	200	–	–	–	–	290
Antonio Santella	100	–	–	–	–	36
Cesare Perotti	–	–	–	–	–	2
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	–	958
Total related parties	**327**	**–**	**1**	**547**	**868**	**1,286**
Total consolidated financial statements	**30,434**	**112,938**	**17,233**	**46,156**	**137,238**	**18,366**
% Impact	1.1%	–	0.0%	1.2%	0.6%	7.0%

Remuneration paid by the Group

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

(€'000)	31 December 2020
Emoluments	2,433
Remuneration for participation in committees	34
Total remuneration paid to the Board of Directors	**2,467**

(€'000)	31 December 2020
Total remuneration paid to the Board of Statutory Auditors (excluding the additional charges provided by the law)	**83**

(€'000)	31 December 2020
Total remuneration paid to the Managers with strategic responsibilities	**5,552**
of which gross annual salary	*2,459*
of which bonus	*1,652*
of which non-competition agreement	*70*
of which fair value of stock options	*135*

36. Remuneration to the Independent Auditing Firm

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

(€'000)	Service provider	Remuneration for 2020
Auditing	BDO Italia S.p.A.	104
Total remuneration paid to the Independent Auditing Firm		**104**

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

During 2020, the following grants were awarded to the companies of the Group, consisting of:

- economic and financial advantages related to the guarantee provided by the Guarantee Fund Law 662/96, approved by the European Commission pursuant to Section 3.1. of the "Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Emergency" and subsequent amendments and additions (Temporary Framework);
- economic and financial advantages, to the benefit of the Bluegame company only, consisting in the abolition of the obligation to pay the 2019 IRAP balance and the first 2020 IRAP advance, in accordance with the provisions of art. 24 of Legislative Decree 34/2020.

Beneficiary	Amount recognized (Euro)	Description
Sanlorenzo S.p.A.	153,761	Medium / long-term loan secured by a guarantee from Fondo Centrale di Garanzia/Mediocredito Centrale
Bluegame S.r.l.	124,546	Medium / long-term loan secured by a guarantee from Fondo Centrale di Garanzia/Mediocredito Centrale
Bluegame S.r.l.	30,616	Abolition of the obligation to pay the 2019 IRAP balance and the irst 2020 IRAP deposit

38. Management and coordination activities

Besides the holding of a controlling interest pursuant to Article 93 of the Consolidated Law on Finance, Holding Happy Life S.r.l. does not exercise management and coordination activities over Sanlorenzo pursuant to Articles 2497 et seq. of the Italian Civil Code.

39. Events occurring after the reporting date

Perini Navi

On 15 February 2021, Ferretti Group and Sanlorenzo announced a plan to create a joint venture with equal stakes to make an offer for the acquisition of Perini Navi, declared bankrupt by the Court of Lucca on 29 January 2021.
Through the joint venture, the Ferretti Group and Sanlorenzo expressed an interest in making an offer for the acquisition of the Italian brands, assets and activities of Perini Navi, also through a preliminary business branch lease.

ACCOUNTING STANDARDS

40. Basis of measurement

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

41. Significant accounting standards

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

Basis of preparation

The consolidated financial statements as at 31 December 2020 include the statements of financial position, profit or loss, comprehensive income, changes in equity and cash flows, and the related accompanying notes.
The consolidated financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS include the ruling International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The consolidated financial statements have been prepared using the historical cost method (any exceptions to this method are explained below) and the going concern assumption. The Directors have checked that there are no material uncertainties (as defined in IAS 1.25) in relation to the going-concern assumption.
The Group elected to present its assets and liabilities as current or non-current and its revenues and costs by nature from among the options allowed by IAS 1. The statement of cash flows is prepared using the indirect method.
The significant accounting standards adopted to prepare the consolidated financial statements applied to all the periods presented and by all the Group's companies are described below.
Unless specified otherwise, the accounting standards have been applied consistently to all the periods included in the consolidated financial statements. Please refer to note "Significant accounting standards" for more information and details regarding the application of the accounting standards.

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The carrying amount of any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs, except if related to the issue of debt or equity securities, are recognised as expenses.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Normally these amounts are booked to profit/(loss) for the year.

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

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

Subsidiaries

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

Non-controlling interests

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

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

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary.

Any resulting gain or loss is recognised in profit or loss for the year. Any interest retained in the former subsidiary is measured at fair value when control has been lost.

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

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

Foreign currency

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

Foreign operations
Assets and liabilities of foreign operations, including goodwill and fair value adjustments, are translated into euro, which is the parent company's functional currency and the consolidated financial statements' presentation currency. The closing rates are used. Revenue and costs of foreign operations are translated into euro using the average period rates.
Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

Revenue from contracts with customers

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

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

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

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

If a contract has more than one performance obligation, which is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to a customer, classification as a contract asset or liability takes place considering all the performance obligations as a whole.

Assets and liabilities arising from contracts with customers where the revenue is recognised over time are measured using the cost-to-cost method, whereby the contract costs, revenue and profit or loss is recognised in line with fulfilment of the performance obligation (progress towards completion).

The percentage of costs incurred at the reporting date is compared to the total costs to satisfy the performance obligation.

Conversely, if the requirements for the recognition of revenue over time are not met, revenue is recognised at a point in time. In this case, progress towards completion is recognised under inventories.

Contract assets are recognised net of any accumulated impairment losses.

The group regularly reviews the estimates and any gains or losses are recognised in the period in which the changes to the estimates are made. Onerous contracts are treated in accordance with the methods described further on in this note.

The consideration for contracts in a currency other than the functional currency is measured by translating the accrued consideration, calculated using the percentage of completion method, using the closing rates.

The Group's exchange rate risk policy requires that all contracts that expose cash flows to changes in exchange rates are hedged on time.

However, see note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.

Revenues related to maintenance, sales of spare parts and charter services activities are managed through spot orders from the client and are recognised on a "point in time" basis.

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

An independent actuary performs the calculation using the projected unit credit method. When the calculation generates a surplus, the Group recognises a net benefit asset to the extent of the asset ceiling, i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest and other expenses on the net defined benefit liability (asset) are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Public contributions

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

Cost recognition

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

Financial income and expense

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

Income taxes

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

Current taxes

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

Deferred taxes

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

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

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

Trade receivables

Trade receivables arising on the sale of goods or services produced or sold by the Group are recognised under current assets. They are recognised at their nominal amount (shown in the invoice) net of any impairment losses, provided for on the basis of an estimate of the risk that the trade receivables will not be collected at the reporting date.
Trade receivables are subsequently measured at amortised cost, which is their initial recognition amount net of principal repayments, increased or decreased by amortisation applying the effective interest method to any difference between the initial carrying amount and their amount at repayment, less any adjustments (made directly or through the loss allowance) due to a loss in value or because the trade receivables are not expected to be recovered.
At initial recognition, trade receivables without a significant financing component are initially measured at the transaction price.

The Group recognises impairment losses where there is objective evidence that it will not recover the amount from the counterparty in line with the contract terms.
Objective evidence includes events such as:
a) significant financial difficulty of the borrower;
b) pending legal disputes with the borrower about the recoverability of the amount;
c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows recognised in profit or loss. Unrecoverable amounts are derecognised from the statement of financial position through the loss allowance. If the reasons for the impairment loss are no longer valid in subsequent periods, an impairment gain is recognised and the asset is reinstated at the amount it would have had calculated using the amortised cost method.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of inventories of products manufactured by the Group, cost includes an appropriate share of production overheads based on normal operating capacity.

Property, plant and equipment

Recognition and initial measurement

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

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Amortisation

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

The estimated useful lives for current and comparative periods are as follows:

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

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

Intangible assets and goodwill

Recognition and initial measurement

Goodwill: Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

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

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Development costs	8 years – 12.50%
Software	5 years - 20%
Mooring rights	Transaction term
Trademarks	18 years
Goodwill arising on consolidation	10 years - 10%
Other	Over the individual transaction term

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

Cash and cash equivalents

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

Financial instruments

Recognition and initial measurement

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

Classification and subsequent measurement

Financial assets

At initial recognition, a financial asset is classified based on its measurement at:

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

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

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

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

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

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

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

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

Financial assets: assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the following condition. In making this assessment, the Group considers:

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

Financial assets: classification, subsequent measurement and gains and losses
Financial assets measured at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss of the year. However, see note "Financial instruments - Fair values and risk management" for information on derivatives designated as hedging instruments.
Financial assets measured at amortised cost: these assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is decreased for impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss of the year as are any derecognition gains or losses.

Debt instruments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss of the year. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss of the year.
Equity instruments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss of the year unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Derecognition

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

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

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

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

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

Share Capital

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

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

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

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

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

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

The loss allowance for trade receivables and contract assets is always measured considering their lifetime expected credit losses.
The Group considers reasonable and supportable information that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition to estimate the expected credit losses. It considers quantitative and qualitative information and analysis, based on past experience of the Group, of the financial asset and forward looking information. The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).
The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of the loss allowance in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss of the year and is recognised in OCI.

Write-off

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

Non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss of the year. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

Provisions

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

Leases

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

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

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Fair value measurement

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

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

42. New standards, amendments and interpretations

The new standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) the adoption of which will be mandatory in 2021, or in subsequent years, are listed below.

Amendments to IFRS 17 – Insurance contracts

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

Amendments to IAS 1 – Presentation of Financial Statements

The purpose of the amendment to the international accounting standard is to clarify how to establish whether a debt or another liability with an uncertain date, in the statement of financial position, should be classified as short-term or long-term liability. In the clarifications introduced by the amendment, it is stated that a liability that recognizes the right to defer settlement for at least 12 months after the end of the reference year cannot be classified as current. It is stated that a liability must be considered "non-current" if the entity is expected to extinguish the debt within 12 months of the reference year. Lastly, it is also stated that if the option of converting the debt into an equity instrument is provided, the classification as current or non-current is not affected, if, applying IAS 32, the option is recognized in equity separately from the liability. The amendments will come into force on 1 January 2022; early application is however permitted.
The Group has not exercised the early application option and does not expect significant impacts from the adoption of these amendments.

Amendment to IFRS 3 – Business combinations

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

Amendment to IAS 16 – Property, plant and equipment

The amendment prohibits the deduction from the cost of fixed assets of the amount of the sale of goods produced before the asset was ready for use. Revenues and related costs will be recognized in the income statement. The amendment will enter into force on 1 January 2022.
The Group does not expect significant impacts from the adoption of this amendment.

Amendment to IAS 37 – Provisions, contingent liabilities and contingent assets

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

Amendments resulting from Annual improvements to IFRSs 2018-2020

The improvements change four standards:

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

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

IFRS 4 Amendments – Insurance Contracts

The expiry date of the exemption from the application of IFRS 9 to financial years starting on 1 January 2021 has been moved to 2023. In order to align the date of entry into force of IFRS 9 – Financial instruments with that of IFRS 17 – Insurance contracts.
The Group does not expect significant impacts from the adoption of these amendments.

Amendments to IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement, IFRS 7 – Financial instruments: Disclosures, IFRS 4 – Insurance contracts and IFRS 16 – Leases

The package of amendments provides for a specific accounting treatment to spread over time the changes in the value of financial instruments or lease contracts due to the replacement of the reference index for determining interest rates. The amendments must be applied from 1 January 2021.
The Group does not expect significant impacts from the adoption of these amendments.

Amendment to IAS 1 – Presentation of Financial Statements

The amendment requires companies to disclose the relevant accounting standards rather than their significant accounting policies and provide indications on how to apply the concept of materiality to the disclosure of accounting standards. The amendment will come into force on 1 January 2023.
The Group does not expect significant impacts from the adoption of this amendment.

Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors

The amendments clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates. The distinction is important in that:

- changes in accounting estimates are applied prospectively only to future transitions and other future events;
- changes in accounting policies are generally applied also retroactively, to past transactions and other past events.

The amendments are effective for years starting on or after 1 January 2023.
The Group does not expect significant impacts from the adoption of these amendments.

Ameglia, 16 March 2021

For the Board of Directors
Executive Chairman
Mr Massimo Perotti

statement pursuant to Article 154-bis

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

1. The undersigned, Massimo Perotti, in his capacity as the Executive Chairman of the Board of Directors and Attilio Bruzzese, in his capacity as the Manager charged with preparing the company's financial reports of Sanlorenzo S.p.A., confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in terms of the characteristics of the Company and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements for 2020.
2. From the application of the administrative and accounting procedures for the preparation of the annual consolidated financial statements as at 31 December 2020, no significant facts need to be reported.
3. It is hereby also stated that:
   3.1 the annual consolidated financial statements:
      a) have been prepared in compliance with the international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
      b) reflect the figures of the accounting records;
      c) are suitable to provide a truthful and correct representation of the equity, economic and financial position of the issuer and of all the companies included in the consolidation.

   3.2 The report on operations includes an accurate analysis of the performance and net operating results, as well as of the position of the issuer and of all companies under the consolidation scope, along with a description of the main risks and uncertainties to which they are exposed.

Ameglia, 16 March 2021

Mr Massimo Perotti
Executive Chairman of the Board of Directors

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


SEVEN SINS

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SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020

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separate financial statements as at 31 december 2020

ACCOUNTING STATEMENTS STATEMENT OF FINANCIAL POSITION

(€'000)	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	106,625	98,862
Goodwill	13	8,667	8,667
Intangible assets with a finite useful life	14	38,009	36,680
Equity investments and other non-current assets	16	3,550	2,925
Net deferred tax assets	11	5,987	2,211
Total non-current assets		**162,838**	**149,345**
Current assets			
Inventories	17	78,681	61,266
Contract assets	18	109,253	75,781
Other financial assets, including derivatives	22	5,405	20,833
Trade receivables	19	16,866	27,067
Other current assets	20	28,533	41,290
Cash and cash equivalents	21	91,288	55,338
Total current assets		**330,026**	**281,575**
TOTAL ASSETS		**492,864**	**430,920**

(€'000)	Notes	31 December 2020	31 December 2019
EQUITY			
Share capital	23	34,500	34,500
Share premium	23	76,549	76,549
Other reserves	23	47,347	18,441
Profit/(loss) for the period		33,997	29,059
Total equity		**192,393**	**158,549**
Non-current liabilities			
Non-current financial liabilities	24	58,191	56,245
Non-current employee benefits	27	725	748
Non-current provisions for risks and charges	28	1,233	829
Total non-current liabilities		60,149	57,822
Current liabilities			
Current financial liabilities, including derivatives	24	25,691	18,913
Current provisions for risks and charges	28	14,078	11,418
Trade payables	25	126,384	145,953
Contract liabilities	18	49,471	15,788
Other current liabilities	26	16,402	17,367
Other current tax liabilities	11	1,955	2,065
Net current tax liabilities	11	6,341	3,045
Total current liabilities		**240,322**	**214,549**
TOTAL LIABILITIES		**300,471**	**272,371**
TOTAL EQUITY AND LIABILITIES		**492,864**	**430,920**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(€'000)	Notes	31 December 2020	31 December 2019
Revenues	8	482,640	486,019
Commissions	8	(18,462)	(12,918)
Net revenues		**464,178**	**473,101**
Other income	9	5,004	3,411
Total net revenue and income		**469,182**	**476,512**
Increases in internal work	9	1,641	1,693
Raw materials, consumables and finished products	9	(172,209)	(193,304)
Outsourcing	9	(165,771)	(163,227)
Change in work in progress, semi-finished and finished products	9.17	21,897	26,395
Other service costs	9	(42,000)	(46,134)
Personnel expenses	9	(34,980)	(32,440)
Other operating costs	9	(3,427)	(3,718)
Accruals to provisions for risks and charges	9.28	(9,646)	(6,136)
Total operating costs		**(404,495)**	**(416,871)**
Operating profit before amortisation and depreciation		**64,687**	**59,641**
Amortisation, depreciation and impairment losses	9,12,14	(17,842)	(14,518)
Operating profit		**46,845**	**45,123**
Financial income	10	446	302
Financial expense	10	(1,978)	(5,179)
Net financial expense		(1,532)	(4,877)
Adjustments to financial assets	16	–	19
Pre-tax profit		**45,313**	**40,265**
Income taxes	11	(11,316)	(11,206)
PROFIT/(LOSS) FOR THE YEAR		**33,997**	**29,059**

(€'000)	31 December 2020	31 December 2019
Other comprehensive income		
Other comprehensive income that will not be subsequently reclassified to net profit		
Actuarial change in provisions for employee benefits	36	18
Income taxes relating to actuarial changes in provisions for employee benefits	(10)	(5)
Total	**26**	**13**
Other comprehensive income which will be subsequently reclassified to net profit		
Changes in the cash flow hedge reserve	451	148
Income taxes related to changes in the cash flow hedge reserve	(126)	(41)
Change in the translation reserve		–
Total	**325**	**107**
Other comprehensive income for the year, net of tax effect	**351**	**120**
COMPREHENSIVE NET PROFIT FOR THE YEAR	**34,348**	**29,179**

STATEMENT OF CHANGES IN EQUITY

(€'000)	Share capital	Share premium	Total Other reserves	Legal reserve	Extraordinary reserve	Other reserves	Profit for the period	Total equity
Value as at 31 December 2019	**34,500**	**76,549**	**18,441**	**1,507**	**17,460**	**(526)**	**29,059**	**158,549**
Allocation of profit for the period	–	–	29,059	1,453	27,606	–	(29,059)	–
Change in the hedging reserve	–	–	451	–	–	451	–	451
IFRS transition effect	–	–	(37)	–	–	(37)	–	(37)
Dividends	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	(899)	–	–	(899)	–	(899)
Other changes	–	–	332	–	–	332	–	332
Profit for the period	–	–	–	–	–	–	33,997	33,997
Value as at 31 December 2020	**34,500**	**76,549**	**47,347**	**2,960**	**45,066**	**(679)**	**33,997**	**192,393**


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STATEMENT OF CASH FLOWS

(€'000)	Notes	31 December 2020	31 December 2019
Cash flows from operating activities			
Profit for the year		33,997	29,059
Adjustments for:			
Depreciation	9, 12	12,838	10,612
Amortisation	9, 14	5,004	3,906
Impairment losses on intangible assets and goodwill	13, 14	–	–
Impairment losses on financial assets (other equity investments)	16	–	(19)
Net financial expense	10	1,532	4,878
Gain on sale of property, plant and equipment		36	(7)
Impairment losses on trade receivables	19	–	–
Income taxes	11	11,316	11,206
Changes in:			
Inventories	17	(17,414)	(27,336)
Contract assets	18	(33,472)	(2,220)
Trade receivables	19	10,201	17,250
Other current assets	20	12,757	(6,331)
Trade payables	25	(19,569)	37,777
Contract liabilities	18	33,682	(25,732)
Other current liabilities	26	(2,013)	3,158
Provisions for risks and charges and employee benefits	27, 28	3,040	6,219
Cash flows generated by operating activities		**51,863**	**62,420**
Taxes paid		(10,857)	(8,788)
Net cash flows from operating activities		**41,006**	**53,632**
Cash flows from investing activities			
Interest received		446	302
Proceeds from disposal of property, plant and equipment		262	31
Proceeds from disposal of intangible assets		–	–
Changes in equity investments and other non-current assets	16	(287)	70
Acquisition of subsidiaries or business units, net of cash acquired	16.30	(625)	(189)
Acquisition of property, plant and equipment	12	(20,391)	(32,506)
Acquisition of intangible assets with a finite useful life	14	(6,482)	(15,202)
Net cash flows used in investing activities		**(27,077)**	**(47,494)**

(€'000)	Notes	31 December 2020	31 December 2019
Cash flows from financing activities			
Financial interests and expense paid		(1,978)	(5,179)
Proceeds from the issue of share capital		–	69,660
New loans	24	36,457	–
Repayment of loans	24	(31,258)	(58,229)
Changes in other financial assets and financial liabilities including derivatives	22,24,29	15,226	3,824
New finance leases	24	3,952	2,373
Repayment of finance leases	24	(226)	–
Assumption of new loans	24	–	47,960
Results from merger with WindCo		–	(48,336)
Dividends paid	23	–	(3,800)
Purchase of treasury shares	23	(899)	–
Other changes in equity	23	747	–
Net cash flows from/(used in) financing activities		**22,021**	**8,273**
Net (decrease)/increase in cash and cash equivalents		**35,950**	**14,411**
Cash and cash equivalents as at 1 January		55,338	40,927
Cash and cash equivalents as at 31 December		**91,288**	**55,338**

notes to the financial statements

BASIS OF PREPARATION

1. Reporting entity

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

2. Basis of preparation

These financial statements as at 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Union, including all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).
The notes to the financial statements were incorporated with the additional information required by Consob and by the regulations issued thereby, pursuant to Article 9 of Italian Legislative Decree no. 38/2005 (resolutions 15519 and 15520) of 27 July 2006 and communication DEM/6064293 of 28 July 2006, pursuant to art. 78 of the Issuer's Regulations, the EC document of November 2003 and, where applicable, the Italian Civil Code.

3. Basis of preparation

The financial statements as at 31 December 2020, approved by the Board of Directors of the Company on 16 March 2021, include the statement of financial position, statement of profit/(loss) for the year and the other comprehensive income, statement of cash flow and statement of changes in equity.
As regards the statement of financial position, the presentation format adopted provides for a distinction between current and non-current assets and liabilities, according to paragraphs 60 et seq. of IAS 1.
The presentation of the statement of profit and loss adopts a classification of costs based on the type of expense.
The statement of cash flow was prepared based on the indirect method and is presented in compliance with IAS 7, classifying the financial flows between operating, investment and financing activities.
Information on the accounting standards adopted by the Company is provided in the paragraph "Accounting standards" of these financial statements.
It should be noted that with reference to Consob Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements highlight significant relations with related parties in order to provide better information, and the income items deriving from non recurrent events or transactions are recognised, when significant, separately in the management comments and in the financial information sections.

4. Functional and presentation currency

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

5. Use of judgements and estimates

The preparation of annual separate financial statements and notes thereto in accordance with the IAS/IFRS requires the directors to apply accounting standards that may sometimes be affected by complex and subjective judgements and estimates, based on past experience and assumptions deemed reasonable and realistic in the circumstances.

The application of these estimates and assumptions affects the reporting amounts in the financial statement, such as the statement of financial position, the statement of profit and loss, other comprehensive income, the statement of cash flows and the disclosures included herein. The final figures of the financial statement items for which the afore-mentioned estimates and assumptions were used, may differ from those that were actually realised due to the uncertainties that characterise the assumptions and the conditions on which the estimates are based. Estimates and assumptions are periodically reviewed and the effects of each change are reflected in the period in which the estimate revision is made, if such revision affects only the current period or also in the following periods if the revision affects current and future periods.

The captions most affected by directors' judgements and estimates and for which a change in the circumstances underlying the assumptions applied could have a significant impact on the consolidated financial statements are summarised below.

Valuations

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

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

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

Assumptions and estimation uncertainties

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

- recognition of revenue;

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

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

6. Summary of accounting standards applied

In these financial statements, the accounting standards adopted are consistent, except where indicated hereunder, with those used to prepare the financial statements as at 31 December 2019, drafted for comparative purposes.

Amendment to IFRS 3 – Business Combinations

In these Financial Statements, the Company makes the limited amendments to the international accounting standard IFRS 3 – Business Combinations. The purpose of the amendments is to help companies to better determine whether an acquisition represents an acquisition of a company or a group of assets. The definition emphasizes how the result of an enterprise is to provide goods and services to customers, while the previous definition focused on the return on investments in the form of dividends, lower costs or other economic benefits by investors and others. The recognition of a business combination rather than a group of assets has important consequences for the non-recognition of goodwill and the option of capitalizing the acquisition costs in the case of acquisition of a group of assets.
The introduction of this amendment has no effect on these Financial Statements.

Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

In these financial statements, the Company adopts the amendments to the international accounting standard IAS 1 – Presentation of Financial Statements and to the international accounting standard IAS 8 – Accounting standards, changes in estimates and errors. The purpose of the amendment to IAS 1 and IAS 8 is to clarify the meaning of the term "materiality". The materiality principle is very pervasive in the preparation of the Financial Statements as it allows non-compliance in terms of recognition, measurement, presentation and disclosure when the effects are not material for the purposes of providing a true and fair representation. Within IAS 1, the sentence "could influence the decision of users" was changed to "it could reasonably be expected that it will influence the decisions of the main users". The intention is to raise the materiality threshold, which, in the previous version, could have been understood as a "non-threshold" since all information could influence decisions. The definition of materiality also introduces the concept of obscuring, which does not prohibit the addition of information in the notes to the financial statements.

Obscuring takes place when the inclusion of non-material information is aimed at distracting or confusing the readers of the Financial Statements from other information considered significant. In addition, in the amendments to IAS 1, the word "size" is replaced by "magnitude", in order to free the definition from a concept of numerical quantity and come closer to a concept of importance of the information in itself. The IASB has also specified that "users" and "primary users" both refer to existing and potential investors, credit institutions and other lenders that must rely on financial reports to obtain the information necessary to carry out their role. These amendments affect the application of IAS 8, as this standard establishes the criteria for the selection and amendment of the accounting standards and the related changes in estimates and corrections of errors.
The introduction of these amendments has no effect on these Financial Statements.

Amendment IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement and IFRS 7 – Financial instruments: Disclosures

In these financial statements, the Company adopts the amendments to IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement and IFRS 7 – Financial instruments: Disclosures collectively defined as "Interest Rate Benchmark Reform". The amendments are intended to alleviate the impact of the uncertainty arising from the reform of the interbank offered rates (IBOR) and require companies to provide supplementary information on their hedging transactions when these are affected by this type of uncertainty.
The introduction of these amendments has no effect on these Financial Statements.

Amendment to IFRS 16 – Leases

In May 2020, IASB issued an amendment to IFRS 16 – Leases for Covid-19-related rent concessions. The amendment allows the lessee, for certain concessions due to the Covid-19 pandemic, to recognise these concessions directly in the income statement, as if they were not lease modifications. This amendment applies to COVID-19-related rent concessions, which reduce the payments due by the lessee pursuant to the lease agreement before 30 June 2021. In essence, it exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications pursuant to IFRS 16.
Applying this amendment, the company has not recognized any effects on these Financial Statements.

Changes in the Conceptual Framework for Financial Reporting

The objective of the revision of the "Conceptual Framework for Financial Reporting" is to assist the IASB in developing the accounting standards, to help preparers of financial statements to develop consistent accounting policies for areas that are not covered by a standard or where the accounting standard offers a choice of accounting policy. The revision arises from the need to update concepts such as valuation, assets, and liabilities and to clarify concepts such as uncertainty in valuations. The main changes included the following:

- new concepts for the valuation, recognition, transparency and derecognition of financial statements items;
- revised definition of assets and liabilities as well as changes to the concept of recognition of financial assets and liabilities;
- greater clarity on the concepts of prudence, uncertainty in valuations, substance on the form and responsibility of directors;

The application of the changes to the Conceptual Framework for Financial Reporting has no immediate effects for the Company; however this will apply, in the future, the changes to develop financial statements policies when the IFRS are not applicable.

PERFORMANCE FOR THE YEAR

7. Operating segments

The Company is composed of the following operating divisions:

- Yacht Division;
- Superyacht Division.

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

- that engage in business activities from which the Group earn revenues and incur expenses;
- whose operating results are regularly reviewed by the parent company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance; and
- for which separate financial information is available.

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

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

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

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

8. Revenue and commissions

(€'000)	31 December 2020	31 December 2019	Change
Revenues from contracts with customers	482,640	486,019	(3,379)
Commissions	(18,462)	(12,918)	(5,544)
Net revenues	**464,178**	**473,101**	**(8,923)**

Revenue from contracts with customers

Revenue from contracts with customers is earned on the sale of new and pre-owned boats, which are shown in the above table gross and net of the commissions paid to agents to finalise the sales contracts. Revenue gross of agency commissions paid amounts, respectively, to €482,640 thousand as at 31 December 2020 and €486,019 thousand as at 31 December 2019. As at 31 December 2020, other revenues and income was down by €8,923 thousand on the previous year.

Disaggregation of revenue from contracts with customers

A breakdown of revenue from contracts with customers by type is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Revenues New Yachts	429,036	437,676	(8,640)
Revenues from pre-owned	48,647	42,382	6,265
Revenue from maintenance and other services	4,957	5,961	(1,004)
Revenues from contracts with customers	**482,640**	**486,019**	**(3,379)**

Revenue from new boat sales includes guarantee deposits from customers who cancelled their purchases and forfeited their deposit to the Company, in accordance with the relevant contracts signed with the customers. They are recognised in profit or loss and amount to €529 thousand and €790 thousand for 2020 and 2019, respectively.
Revenue from pre-owned boats sales amounts to €48,647 thousand and €42,382 thousand for 2020 and 2019, respectively.
Revenue from maintenance and sales of spare parts for each type of boat, amounting to €4,957 thousand as at 31 December 2020 and €5,961 thousand as at 31 December 2019, are managed in separate orders received from the customers and represent obligations different from those for the sale of yachts.

A breakdown of revenue from contracts with customers by division is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Yacht Division	336,264	319,170	17,094
Superyacht Division	146,376	166,849	(20,473)
Revenue from contracts with customers	**482,640**	**486,019**	**(3,379)**

The next table breaks down the revenue from contracts with customers on the basis of the nationality of the owner customer by geographical segment:

(€'000)	31 December 2020	31 December 2019	Change
Italy	63,895	75,929	(12,034)
Europe (other countries)	188,449	239,125	(50,676)
USA	43,347	32,587	10,760
Americas (other countries)	35,171	27,497	7,674
APAC	114,343	75,688	38,655
Middle East and Africa	37,435	35,193	2,242
Revenue from contracts with customers	**482,640**	**486,019**	**(3,379)**

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

For further details on the recognition of revenues, please refer to the relevant note in the paragraph "Accounting policies" of these financial statements.

Commissions

The item Agency commissions amounts to €18,462 thousand and €12,918 thousand as at 31 December 2020 and 31 December 2019, respectively. This amount represents the costs incurred by the Company for the intermediation activity carried out by the dealers and by agents.
As at 31 December 2020, agency commissions showed a €5,544 thousand increase on the previous year.

9. Income and expenses

Other income

(€'000)	31 December 2020	31 December 2019	Change
Gains on disposals of assets	44	13	31
Other revenue	4,960	3,398	1,562
Other income	**5,004**	**3,411**	**1,593**

Other revenues and income amount to €5,004 thousand and €3,411 thousand for 2020 and 2019, respectively. As at 31 December 2020, other revenues and income were up by €1,593 thousand on the previous year.
"Other revenue" includes:

- income for services provided to suppliers;
- chargebacks of marketing contributions.
- bonus investments in capital goods (Law no. 160, 27 December 2019, and Law no. 178, 30 December 2020);
- the recognition of a tax benefit on R&D expenditure incurred over the years.

Operating costs

(€'000)	31 December 2020	31 December 2019	Change
Increases in internal work	(1,641)	(1,693)	52
Raw materials, consumables and finished products	172,209	193,304	(21,095)
Outsourcing	165,771	163,227	2,544
Other service costs	42,000	46,134	(4,134)
Change in work in progress, semi-finished and finished products	(21,897)	(26,395)	4,498
Personnel expenses	34,980	32,440	2,540
Other operating costs	3,427	3,718	(291)
Accruals to provisions and impairment losses	9,646	6,136	3,510
Operating costs	**404,495**	**416,871**	**(12,376)**

Operating costs amounted to €404,495 thousand and €416,871 thousand for 2020 and 2019, respectively. The work performed by the Company and capitalised refers to the costs of the personnel involved in the development of new boats, which are capitalised under the item development expenditure in relation to intangible assets with a finite useful life. As in previous years, the Company has also capitalised the costs for its internal personnel under development activities.

Raw materials, consumables and finished products are presented net of returns, discounts, allowances and bonuses. The change between 2020 and the previous year was equal to €(21,095) and is mainly due to lower purchases of raw materials and consumables during the lockdown period due to the health emergency.

Outsourcing chiefly related to naval carpentry services, turnkey furnishings for yachts and superyachts, electrical and plumbing work and the fitting of the boat's interior and exterior. The related cost changed by €2,544 thousand between 2020 and 2019.

"Other service costs" mostly comprised costs for consultancy services, transport, the board of directors' and statutory auditors' fees, travel and cleaning and maintenance The change in "Other service costs" was equal to €(4,134) thousand between 2020 and 2019.

The change in working in progress, semi-finished and finished products was equal to €(21,897) thousand and €(26,395) thousand respectively as at 31 December 2020 and 2019. Work in progress refers to work orders of less or more than one year duration for which the contract with the customer was not yet finalised by the end of the financial year.

Personnel expenses increased by €2,540 thousand between 2020 and 2019. This change reflected the growth in personnel due to an expansion of the Company as shown in the following table:

	31 December 2020	31 December 2019	Change
Managers	28	25	3
White collars	361	340	21
Blue collars	87	91	(4)
Total employees	**476**	**456**	**20**

A breakdown of personnel expenses is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Wages and salaries	25,605	23,578	2,027
Social security contributions	7,963	7,559	404
Post-employment benefits	1,412	1,303	109
Total	**34,980**	**32,440**	**2,540**

The other operating costs mostly related to advertising for €1,173 thousand and €2,172 thousand in 2020 and 2019, respectively, and other sundry costs stood at €2,254 thousand and €1,546 thousand for 2020 and 2019, respectively. Between 2020 and 2019, other operating costs decreased by €291 thousand.
In 2020, allocations to provisions and write-downs included €5,157 thousand for contract completion activities, €4,000 thousand for the risk of a likely transaction on the sale of a boat, and €489 thousand from provisions for risks.

Amortisation, depreciation and impairment losses

(€'000)	31 December 2020	31 December 2019	Change
Amortisation	5,004	3,906	1,098
Depreciation	12,838	10,612	2,226
Amortisation, depreciation and impairment losses	**17,842**	**14,518**	**3,324**

Amortisation, depreciation and impairment losses amounted to €17,842 thousand and €14,518 thousand respectively as at 31 December 2020 and 2019. The change between 2020 and 2019 is equal to €3,324 thousand and is due to the coming on stream of the investments made in previous years.
In 2020, the amortisation of intangible assets was equal to €5,004 thousand, mainly referring to the amortisation of trademarks and patents for €271 thousand, amortisation of development expenses for €3,404 thousand, amortisation of state concession for the La Spezia shipyard for €361 thousand, amortisation of the rights of use of the Viareggio warehouses for €442 thousand and amortisation of software applications for €273 thousand.
In 2020, depreciation of tangible assets stood at €12,838 thousand, mainly referring to depreciation of industrial and commercial equipment (€6,541 thousand), of land and buildings (€3,627 thousand), of other assets (€1,684 thousand) and of plant and equipment (€986 thousand).

10. Net financial expense

(€'000)	31 December 2020	31 December 2019	Change
Financial income	446	302	144
Financial expense	(1,978)	(5,179)	3,201
Net financial expense	**(1,532)**	**(4,877)**	**3,345**

Net financial expense amounted to €1,532 thousand and €4,877 thousand for 2020 and 2019, respectively. The decrease with respect to the previous year, equal to €3,345 (68.6%), was due to lower average borrowing and better financial conditions applied to the Parent Company by the financial institutions.

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

(€'000)	31 December 2020	31 December 2019	Change
Interest income - third parties	442	278	164
Interest income – banks	4	24	(20)
Financial income	**446**	**302**	**144**

(€'000)	31 December 2020	31 December 2019	Change
Interest expense – banks	(1,596)	(3,877)	2,281
Interest expense - third parties	(240)	(786)	546
Sundry bank charges	(144)	(221)	77
Other financial charges and exchange gains / (losses)	2	(295)	297
Financial expense	**(1,978)**	**(5,179)**	**3,201**

11. Income taxes

(€'000)	31 December 2020	31 December 2019	Change
Current taxes	(15,030)	(8,720)	(6,310)
Taxes relative to prior years	(63)	(2,876)	2,813
Deferred tax assets and liabilities	3,777	390	3,387
Income taxes	**(11,316)**	**(11,206)**	**(110)**

In 2020, the item "Income taxes" stood at €(11,316) thousand, up by €(110) thousand over the previous year. This item consists of current taxes of €(15,030) thousand, taxes for prior years of €(63) thousand, including the provision made to take account of potential liabilities from tax audits, and positive changes in deferred tax assets and liabilities of €3,777 thousand.
With regard to deferred taxes, there was a reversal of the deferred taxes relating to the assets for which it was decided to realign the tax value to the higher book value pursuant to Article 110, par. 8 of Law Decree no. 104/2020 (converted by Law 126/2020). More information on deferred tax assets and liabilities is available in the tables provided below.

In 2020, current taxes increased by €(6,310) thousand (+72.4%) due to the increase in pre-tax profit (€5,048 thousand).
A reconciliation between the effective and theoretical tax expense is as follows:

(€'000)	31 December 2020	31 December 2019
Pre-tax profit	**45,313**	**40,265**
Tax rate	24%	24%
Theoretical IRES	10,876	9,664
Non-deductible expenses	1,877	2,873
R&D credit exempt	(41)	(282)
Tax incentive	-	(2,467)
Effect of tax rate in foreign jurisdiction and other differences	(3,776)	(282)
IRAP	2,380	1,700
Income taxes	**11,316**	**11,206**

Current tax assets and liabilities

(€'000)	31 December 2020	31 December 2019	Change
Current tax assets	8,689	5,859	2,830
Current tax liabilities	(15,030)	(8,904)	(6,126)
Net assets/(liabilities) for current taxes	**(6,341)**	**(3,045)**	**(3,296)**

Assets refer to IRES and IRAP advances paid in 2020. Current tax liabilities, equal to €15,030 thousand and €8,904 thousand as at 31 December 2020 and 2019 respectively, refer to IRES and IRAP liabilities.

Net deferred tax assets

(€'000)	31 December 2020	31 December 2019	Change
Net deferred tax assets	5,987	2,211	3,776

The balance shows the difference between deferred tax assets and liabilities that arose over the years. Net deferred tax assets were equal to €5,987 thousand as at 31 December 2020 and €2,211 thousand as at 31 December 2019.
The main temporary differences that have produced deferred tax assets regard the provisions for risks and charges made, impairment losses on pre-owned boats, and value adjustments on receivables.
As already indicated, as a consequence of the option to realign the tax values of some assets to the higher book values (Article 110 paragraph 8 of Law Decree 104/2020, converted by Law 126/2020), there was a reversal of the deferred taxes, related to the aforementioned assets, equal to €1,502 thousand.
Deferred tax assets are recognised when the management believes that they will be recovered through future taxable earnings on the basis of company plans. Deferred tax liabilities relate to income taxes for the current year and previous years to be paid in subsequent years in line with applicable tax regulations.

The following tables provide information on the changes, nature and amount of temporary differences and the amounts recognised in profit or loss as at 31 December 2020 and 2019.

(€'000)	Tax Effect as at 1 January 2020	Utilisations 2020	Accruals 2020	Total in profit or loss 2020	Tax effect as at 31 December 2020
Deferred tax assets					
Loss allowance	91	1	–	(1)	90
Provisions for risks and charges	2,660	1,236	3,086	1,850	4,510
Unpaid directors' fees	5	5	2	(3)	2
Write-downs obsolete	56	56	–	(56)	–
Unpaid membership fees	3	3	5	2	5
Amortisation of Goodwill	3	1	–	(1)	2
Impairment losses on pre-owned boats	250	250	1,303	1,053	1,303
Effect of IFRS 38	10	3	–	(3)	7
Share capital increase cost against Reserve	471	118	–	(118)	353
Sanlorenzo of the Americas LLC balances	579	579	–	(579)	–
R&D deferred	241	47	–	(47)	194
Legal costs	242	–	–	–	242
Measurement of financial liabilities at amortised cost	142	24	–	(24)	118
Obsolete inventories	–	–	56	56	56
Other	3	3	–	(3)	–
Total deferred tax assets	**4,756**	**2,326**	**4,452**	**2,126**	**6,881**
Deferred taxes					
Depreciation on revalued assets	(1,589)	1,589	–	1,589	–
Contracts of less than one year	(88)	88	–	88	–
Amortisation of development costs over useful life	(844)	433	483	(50)	(894)
Other	(24)	24	–	24	–
Total deferred tax liabilities	**(2,545)**	**2,134**	**483**	**1,651**	**(894)**
Net deferred tax assets	**2,211**	**4,460**	**4,935**	**3,777**	**5,987**

ASSETS

12. Property, plant and equipment

Property, plants and equipment amounted to €106,625 thousand and €98,862 thousand as at 31 December 2020 and 31 December 2019, respectively.
A breakdown of the item and its changes over the year are provided in the table below.

(€'000)	Land and buildings	Industrial equipment	Plant and equipment	Other assets	Assets under development	Total
Historical cost	62,754	57,141	8,557	11,706	25,244	165,402
Accrued amortisation	(24,602)	(31,178)	(4,570)	(6,190)	–	(66,540)
Carrying amount as at 31 December 2019	**38,152**	**25,963**	**3,987**	**5,516**	**25,244**	**98,862**
Changes:						
Additions	7,716	7,812	2,678	1,296	889	20,391
Disposals	–	(28)	(25)	(138)	–	(191)
Reclassifications	19,773	117	4,164	55	(24,109)	–
Amortisation	(3,627)	(6,541)	(986)	(1,684)	–	(12,838)
Accrued depreciation of disposal	–	14	3	113	–	130
Changes in IFRS 16	–	50	–	221	–	271
Historical cost	90,243	65,042	15,374	12,919	2,024	185,602
Accrued amortisation	(28,229)	(37,655)	(5,553)	(7,540)	–	(78,977)
Carrying amount as at 31 December 2020	**62,014**	**27,387**	**9,821**	**5,379**	**2,024**	**106,625**

As at 31 December 2020, property, plant and equipment included:

- Land and buildings equal to €62,014 thousand: these mainly refer to the Company's buildings located at the production facilities in Ameglia (SP), Viareggio (LU), Massa (MS) and La Spezia.
- Industrial equipment equal to €27,387 thousand: these mainly refer to technical tools, as well as scaffolding, handling and fibreglass moulding extraction tools.
- Plant and equipment equal to €9,821 thousand: these mainly refer to fire, electrical, plumbing and intake systems.
- Other assets equal to €5,379 thousand chiefly include office furniture and fittings, trade fair equipment and electronic equipment.
- Assets under development, equal to €2.024 thousand: these mainly include the costs incurred for the construction of a new quay for the La Spezia facility.

In 2020, increases in property, plant and equipment were equal to €20,391 thousand, mainly concerning industrial equipment (€7,812 thousand), buildings (€7,716 thousand), plants by (€2,678 thousand), other assets (1,296 thousand) and assets under development (€889 thousand).
In 2020, disposals were equal to €191 thousand, net of accumulated depreciation for €130 thousand, concerning industrial equipment, plants and other assets.
Amortisation in 2020 was equal to €12,838 thousand, €2,226 thousand higher than in 2019 as a result of the investments made during the year.

13. Goodwill

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

(€'000)	31 December 2020	31 December 2019	Change
Goodwill	8,667	8,667	–

As at 31 December 2020 and 31 December 2019, goodwill for €8,667 thousand was recognised.
It arose on the 2008 merger of the former holding company, Happy Fly S.r.l., and its subsidiary FlyOpen S.p.A. into Sanlorenzo S.p.A.
The balance of €8,667 thousand is net of amortisation recognised up until the date of First Time Adoption of IFRS.
The Company applied the exemption, provided by IFRS 1.C1 for business combinations, which allows the first-time adopter not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs.

14. Intangible assets with a finite useful life

Intangible assets with a definite useful life amounted to €38,009 thousand as at 31 December 2020 and €36,680 thousand as at 31 December 2019.
A breakdown of the caption at each date presented and changes therein is provided below.

(€'000)	Concessions, licences, trademarks and similar rights	Other assets	Development costs	Fixed assets in progress	Total
Historical cost	24,324	1675	26,525	3,766	56,290
Accrued amortisation	(4,258)	(1,667)	(13,685)	–	(19,610)
Carrying amount as at 31 December 2019	**20,066**	**8**	**12,840**	**3,766**	**36,680**
Changes:	–				
Additions	968	–	5,383	131	6,482
Disposals	(186)	–	–	–	(186)
Reclassifications	–	–	2,504	(2,504)	–
Amortisation	(1,599)	(1)	(3,404)	–	(5,004)
Accrued depreciation of disposal	37	–	–	–	37
Historical cost as at 31 December 2020	25,106	1675	34,412	1,393	62,586
Accrued amortisation and impairment losses as at 31 December 2020	(5,820)	(1668)	(17,089)	–	(24,577)
Carrying amount as at 31 December 2020	**19,286**	**7**	**17,323**	**1,393**	**38,009**

With reference to the development costs, no impairment indicators were identified suggesting that capitalised development costs have been impaired.
As at 31 December 2020, intangible assets with a finite useful life included:

- Concessions, licences, trademarks and similar rights for €19,286 thousand: in detail, this item is composed primarily of the concession acquired together with the business unit of the former Cantieri San Marco for €3,611 thousand; trademark of the Company for €4,066 thousand; a mooring right acquired by the Company until 2067 in La Spezia in "Porto Mirabello" amounting to €1,759 thousand; the right of use for the properties in Viareggio for €8,519 thousand acquired with the demerger of Polo Nautico during the year; the software application for €540 thousand and sundry rights for €791 thousand.
- Other assets equal to €7 thousand.
- Development costs of €17,323 thousand, comprising costs to design and develop new boats incurred by the Company.

- Assets under development equal to €1,393 thousand, mostly consisting of development costs for the design and study of new boat models.

In 2020, additions were equal to €6,482 thousand and mainly related to assets under development (€131 thousand), development costs (€5,383 thousand) and trademarks, patents, rights on use of buildings and mooring rights (€968 thousand).
Amortisation in 2020 was equal to €5,004 thousand, €1,098 thousand higher than in 2019 as a result of the investments made during the year.

Recoverability of development expenditure

As at 31 December 2020 and 2019, intangible assets include projects to develop new boats and innovative fibreglass, steel and aluminium solutions for medium to large boats in the amount of €17,323 thousand and €12,840 thousand, respectively.
Its design costs, over eight years, were amortised based on a 12.5% rate.
Projects normally take between one to three years to develop (roughly 18 months for fibreglass boats) and the group usually recognises the related costs over this period. The design stage ends with the building of the prototype and the model is definitive for sale on the market (new boat design). However, the Company may incur design costs after this if it decides to improve the boat, restyle it or if the customer requests customisation (boat design in production). Designs obviously have to reflect market trends and consider competitors' strategies. Due to difficulties in identifying the right moment for a new product to go to market, the Company defines its specific strategy in this respect each year.
Based on the business plan, which considers sales forecasts, company management deems that the development costs recognised as at 31 December 2020 is recoverable.

15. Impairment testing

This section describes the methods applied to test goodwill and development costs for impairment in accordance with IAS 36 and the results of these tests.
As at 31 December 2020, the Company tested the recoverability of goodwill equal to €8,667 thousand. No indications of impairment were identified.
A Cash-Generating Unit (CGU) was identified for the purposes of testing the recoverability of the goodwill recognised among intangible assets.
The test for impairment on its assets, in accordance with IAS 36, provides for two different calculations of the recoverable amount, either value in use or fair value less costs to sell. Paragraph 18 of IAS 36 defines the "recoverable amount as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use". In this case, as it was not possible to measure the fair value of the assets being tested for impairment, the estimate of their recoverable amount as at 31 December 2020 was made based on the values based on the concept of value in use.
The value in use was calculated based on the estimated operating cash flows for the three-year period 2021-2023, obtained by discounting the economic-financial forecast data taken from the 2021-2023 plan adopted solely for the purposes of the impairment test with resolution of the Board of Directors on 23 February 2021.
The difference between the resulting value in use and the carrying amount of the net operating invested capital, including goodwill and development costs, is positive by roughly 260%.

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

- the risk-free rate was taken to be equal to the average rate of return on 10-year government bonds, i.e. 1.15%;
- an equity risk premium of 6.85% was used;
- a beta-levered coefficient was measured considering a basket of listed companies active in the same sector as the Company, equal to 1.08;
- an additional risk premium equal to 3.50%.

The cost of debt was estimated to be equal to 1.15%.
A debt to equity ratio of 52.67% was also used, equal to the average debt to equity ratio of a basket of comparables.
Application of this model led to the calculation of a 8.57% discount rate (pre-tax WACC equal to 11.28%).
The terminal value was calculated using the "perpetuity" formula, assuming a growth rate "g" of 1.00% and a normalised operating cash flow using the projections for 2023, the last year of the plan taken as reference for impairment test purposes.
The model's sensitivity to changes in these parameters was also tested, to test its robustness and accuracy. The model was tested under the assumption of a change in the discount and growth rates of up to 1% and of a 20% decrease in the cash flows estimated based on the business plan. This sensitivity analysis did not suggest the presence of asset impairment.
An analysis of the base scenario and the sensitivity analysis after introducing changes to the main parameters of the impairment test showed that the carrying amount of Group goodwill is recoverable.
The following table shows the WACC, growth rate and percentage of operating cash flows that individually would make the CGU's recoverable amount equal to its carrying amount as at 31 December 2020.

	Base scenario	WACC	Growth rate	Operating cash flows
WACC	8.57%	29.04%	8.57%	8.57%
Growth rate (g)	1.00%	1.00%	-31.84%	1.00%
Operating cash flows	100.00%	100.00%	100.00%	27.80%

16. Equity investments and other non-current assets

(€'000)	31 December 2020	31 December 2019	Change
Subsidiaries	3,184	2,559	625
Associated companies	332	332	–
Other companies	34	34	–
Equity investments and other non-current assets	**3,550**	**2,925**	**625**

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

(€'000)	Subsidiaries	Associated companies	Other companies	Other receivables	Total
Carrying amount as at 31 December 2019	**2,559**	**332**	**34**	**–**	**2,925**
Changes:					
Additions/capital increases	625	–	–	–	625
Disposals	–	–	–	–	–
Carrying amount as at 31 December 2020	**3,184**	**332**	**34**	**–**	**3,550**

Investments in subsidiaries were equal to €3,184 thousand and €2,559 thousand for the years ended 31 December 2020 and 31 December 2019 and refer to the purchase of a 100% interest in Sanlorenzo Baleari SL and in Marine Yachting Monaco S.A.M. A breakdown is as follows:

Company name	Share capital	%	Nominal value (Euro)	Book value (Euro)	Share of equity (Euro)	Equity (Euro)	Profit/(loss) for the year (Euro)	Financial Statements as at
Bluegame S.r.l. Viareggio (LU) – Italy	€100,000.	100%	100,000	1,035,500	3,467,479	3,467,479	2,024,240	31/12/2020
Sanlorenzo of the Americas LLC Fort Lauderdale (FL) – USA	USD 2,000,000	90%	1,466,873	1,433,366	(2,136,558)	(2,373,953)	76,627	31/12/2020
Sanlorenzo Baleari SL Puerto Portals, Mallorca – Spain	€ 500,000	100%	500,000	500,000	(4,030,203)	(4,030,203)	183,462	31/12/2020
Marine Yachting Monaco S.A.M. Principality of Monaco	€150,000	99.7%	150,000	215,000	261,382	261,382	(88,956)	31/12/2020

With regard to the equity investments in the subsidiaries Sanlorenzo of the Americas LLC and Sanlorenzo Baleari SL, the value of the equity investment, also adjusted by the bad debt provision equal to €2,387 thousand, is higher than the fraction of shareholders' equity pertaining to it. In consideration of the reorganization activities carried out, despite the pandemic period, the Company recorded a turnaround, closing the year with a positive net result. It is also noted that the positive market prospects reflected in the business plans approved by the respective subsidiaries, together with the foregoing considerations, make us believe that these values are recoverable.
Investments in associates were equal to €332 thousand as at 31 December 2020 and 2019, respectively. This item refers to the investment held in the associated company Polo Nautico.
Investments in other companies amounted to €34 thousand as at 31 December 2020 and 2019, respectively, and are represented by investments that are fairly negligible in companies and consortiums, not falling under the consolidation scope.

17. Inventories

(€'000)	31 December 2020	31 December 2019	Change
Raw materials and consumables	6,050	6,036	14
Work in progress and semi-finished products	43,296	31,964	11,332
Finished products	34,728	24,163	10,565
Provision for inventory obsolescence	(5,393)	(897)	(4,496)
Inventories	**78,681**	**61,266**	**17,415**

Inventories amounted to €78,681 thousand and €61,266 thousand as at 31 December 2020 and 2019, respectively.
Raw materials, consumables and supplies include the materials necessary to build the boats.
Work in progress and semi-finished products relates to the boat construction contracts that have not been finalised with the customer before year end. The change observed between 31 December 2019 and 31 December 2020 is due to the company's plan to increase production volumes.
The finished goods comprise traded-in boats, which are recognised at cost when the group receives them and the value of which is adjusted at the end of each year to the presumed realisable value through the recognition of the relative allowance for write-downs.
During the valuation process of pre-owned boats, the Company relies on various elements such as the analysis of the specific characteristics of the pre-owned boats, the valuations carried out at the time of their purchase including age, current market trend, also through the indications of an independent third party, the uniqueness of each boat and of each trade negotiation, as well as the sales already concluded in the subsequent period. The project "Experienced Yachts", designed to diversify and qualify the pre-owned boats of the Company compared with the competition, provides for each boat that is part of the programme to be valued, managed and reconditioned by the Company's personnel in order to guarantee the efficacy of the boats' machinery and instruments. The valuation of pre-owned boats is based on an independent expert appraisal which considers the factors mentioned above and each boat's general conditions.
The provision for inventory obsolescence, including finished products and raw materials, recorded the following changes, mainly due to the adjustment of the value of finished products to the estimated realizable value:

(€'000)	Balance
Provision for inventory obsolescence as at 31 December 2019	**897**
Accruals	5,393
Utilisations	(897)
Provision for inventory obsolescence as at 31 December 2020	**5,393**

18. Contract assets and liabilities

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

(€'000)	31 December 2020	31 December 2019	Change
Contract assets (gross)	445,855	408,870	36,985
Progress payments	(336,602)	(333,089)	(3,513)
Contract assets (net)	**109,253**	**75,781**	**33,472**

Unsatisfied or partially unsatisfied performance obligations refer to all the boats (both with original expected duration within 1 year and more) and are expected to be recognised in accordance with production timing related to yacht (between 7 and 16 months on average) and superyacht (between 24 and 46 months on average).
Net contract liabilities are as follows:

(€'000)	31 December 2020	31 December 2019	Change
Payables for work to be carried out	5,703	2,062	3,641
Total advances received from customers	380,370	346,815	33,555
Advances deducted from contract assets	(336,602)	(333,089)	(3,513)
Contract liabilities (net)	**49,471**	**15,788**	**33,683**

This item amounted to a net €49,471 thousand and €15,788 thousand as at 31 December 2020 and 31 December 2019, respectively. The change between the end of 2020 and 2019, equal to €(33,683) thousand, was mainly due to the increase in advances from customers.

19. Trade receivables

(€'000)	31 December 2020	31 December 2019	Change
Receivables from customers	16,825	17,122	(297)
Trade receivables from subsidiaries	503	10,324	(9,821)
Loss allowance	(462)	(379)	(83)
Total trade receivables	**16,866**	**27,067**	**(10,201)**

Trade receivables amounted to €16,866 thousand and €27,067 thousand as at 31 December 2020 and 31 December 2019, respectively.
At 31 December 2020, trade receivables decreased compared with 31 December 2019, by €10,201 thousand.
The trade receivables are presented net of the loss allowance set up over the years to provide for credit-impaired receivables that are still recognised pending the completion of the related court-approved creditors' settlement procedure or out-of-court recovery proceedings. It is deemed that the loss allowance is adequate to cover any risks of losses.
Changes in the loss allowance in 2020 are as follows:

(€'000)	Balance
Loss allowance as at 31 December 2019	**(379)**
Utilisations/Releases	5
Accruals	(88)
Loss allowance as at 31 December 2020	**(462)**

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

(€'000)	31 December 2020	31 December 2019	Change
The Netherlands	2,038	440	1,598
Germany	710	1,712	(1,002)
Italy	1,190	4,388	(3,198)
Europe (other countries)	8,434	4,063	4,371
Americas	1,442	8,581	(7,139)
Saudi Arabia	1,000	6,000	(5,000)
Other Middle East countries	–	938	(938)
Hong Kong	315	389	(74)
APAC (other countries)	1,736	556	1,180
Africa	1	–	1
Receivables from customers	**16,866**	**27,067**	**(10,201)**

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

31 December 2020 (€'000)	Not overdue	Overdue for (dd)		
		0-365	366-730	>730
Receivables from customers	15,691	583	209	284
Loss allowance	–	–	(178)	(284)
Receivables for customers to be invoiced	561	–	–	–
Total Receivables from customers	**16,252**	**583**	**31**	**–**

20. Other current assets

(€'000)	31 December 2020	31 December 2019	Change
Payments on account to suppliers	11,988	12,791	(803)
Other receivables	2,414	6,590	(4,176)
Other tax assets	2,556	12,526	(9,970)
Costs to obtain the contracts	5,053	5,792	(739)
Accrued income and prepaid expenses	6,522	3,591	2,931
Other receivables and other current assets	**28,533**	**41,290**	**(12,757)**

The item "Other current assets" was equal to €28,533 thousand and €41,290 thousand as at 31 December 2020 and 31 December 2019, respectively. All the amounts due are deemed to be collectable and, therefore, they have not been impaired.
Over the year ended 31 December 2020, this item shows a decrease of €12,757 thousand due primarily to a decrease in tax payables. The decrease of this item mainly refers to the use of the VAT credit.
In addition, costs for the acquisition of contracts related to agency commissions were down by €739 thousand. Agency fees were recognised in the income statement based on a time approach that follows the work in progress on a boat.

21. Cash and cash equivalents

(€'000)	31 December 2020	31 December 2019	Change
Banks and postal current account	91,251	55,311	35,940
Cash on hand	37	27	10
Cash and cash equivalents	**91,288**	**55,338**	**35,950**

Cash and cash equivalents amounted to €91,288 thousand and €55,338 thousand as at 31 December 2020 and 2019, respectively. The statement of cash flows provides more information about changes in cash and cash equivalents.

22. Other financial assets, including derivatives

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

(€'000)	31 December 2020	31 December 2019	Change
Loans granted to holding company	–	1	(1)
Loans granted to subsidiaries	4,758	14,180	(9,422)
Term current accounts	–	6,500	(6,500)
Derivatives	647	152	495
Total other financial assets	**5,405**	**20,833**	**(15,428)**

Derivatives amounted to €647 thousand and €152 thousand as at 31 December 2020 and 31 December 2019 respectively. They include currency hedges (EUR/USD) and interest rate hedges with a positive fair value (Mark to Market Value) at the reporting dates. The Company uses derivatives to hedge against the risk of fluctuations in the US dollar for its sales in that currency and the risks that interest rates on its loans and borrowings may increase.
The escrow account, which as at 31 December 2019 amounted to €6,500 thousand and concerned a loan from the Credit Agricole Carispezia bank, has been released at the beginning of 2020.

EQUITY AND LIABILITIES

23. Share capital and reserves

Company's Shareholders' Equity

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

(€'000)	Share Capital	Share premium	Total other reserves	Other reserves			
				Legal reserve	Extraordinary reserve	Stock option reserve	
Value as at 31 December 2019	**34,500**	**76,549**	**18,441**	**1,507**	**17,460**	**–**	
Allocation of profit for the period	–	–	29,059	1,453	27,606	–	
Change in the hedging reserve	–	–	451	–	–	–	
Adjustment IFRS FTA	–	–	(37)	–	–	–	
Purchase of treasury shares	–	–	(899)	–	–	–	
Other changes	–	–	332	–	–	332	
Profit for the period	–	–	–	–	–	–	
Value as at 31 December 2020	**34,500**	**76,549**	**47,347**	**2,960**	**45,066**	**332**	

Other reserves							
Negative reserve for treasury shares	Other reserves	Reserve FTA/OCI	Profit from previous years	Cash flow hedge reserve	Profit for the period	Total equity	
–	**147**	**(217)**	**(20)**	**(436)**	**29,059**	**158,549**	**Value as at 31 December 2019**
–	–	–	–	–	(29,059)	–	Allocation of profit for the period
–	–	–	–	451	–	451	Change in the hedging reserve
–	–	(37)	–	–	–	(37)	Adjustment IFRS FTA
(899)	–	–	–	–	–	(899)	Purchase of treasury shares
–	–	–	–	–	–	332	Other changes
–	–	–	–	–	33,997	33,997	Profit for the period
(899)	**147**	**(254)**	**(20)**	**15**	**33,997**	**192,393**	**Value as at 31 December 2020**

Share capital and share premium

Ordinary shares

As at 31 December 2020, the share capital, fully paid-up and subscribed, amounted to €34,500 thousand and comprised 34,500,000 shares with no indication of their nominal value.
On 21 April 2020, the Extraordinary Shareholders' Meeting of Sanlorenzo S.p.A. approved a divisible share capital increase, excluding option rights, pursuant to Article 2441, paragraph 8 of the Italian Civil Code, of a maximum nominal value of €884,615, to be executed no later than 30 June 2029, through the issue of a maximum number of 884,615 ordinary Sanlorenzo shares destined exclusively and irrevocably to service the 2020 Stock Option Plan. This capital increase has not yet been subscribed, not even partially.

Share premium

The share premium amounted to €76,549 thousand resulting from the capital increase carried out by the shareholders in the years 2011 and 2013, by its partial use in the year 2014 for a bonus issue, by the Company, the decrease of €19,539 thousand due to the impact of the reverse merger with WindCo and by the capital increase carried out by the shareholders during the year for €65,160 net of placement commissions.

Nature and purpose of other reserves

(€'000)	31 December 2020	31 December 2019	Change
Legal reserve	2,960	1,507	1,453
Reserve FTA/OCI	(254)	(217)	(37)
Extraordinary reserve	45,066	17,460	27,606
Post-merger reserve	49	49	–
merger surplus	87	87	–
Spin-off surplus	11	11	–
Profit from previous years	(20)	(20)	–
Stock option reserve	332	–	332
Negative reserve for treasury shares in portfolio	(899)	–	(899)
Cash flow hedge reserve	15	(436)	451
Other reserves	**47,347**	**18,441**	**28,906**

The item comprises:

- Post-merger reserve with capital contributions from the shareholders for €49 thousand as at 31 December 2020 and 31 December 2019, respectively.
- Extraordinary reserve of €45,066 thousand and €17,460 thousand as at 31 December 2020 and 31 December 2019, respectively. The increase in the reserve was due to the allocation of the profit for the year ended 31 December 2019.
- The merger surplus, equal to €87 thousand at 31 December 2020 and 31 December 2019, was created by the merger by incorporation with Eureka Imbarcazioni S.r.l. in 2012.
- The spin-off surplus, equal to €11 thousand, was created by the demerger of Polo Nautico Viareggio S.r.l. in 2019.
- The Cash flow hedge reserve was positive and equal to €15 thousand as at 31 December 2020, negative and equal to €436 thousand as at 31 December 2019.
- The Reserve FTA/OCI, which was affected by the transition of the financial statements to IFRS, in the amount of €(254) thousand as at 31 December 2020 and €(217) as at 31 December 2019.
- Profit/loss from the previous year for €(20) thousand at 31 December 2020 was due to the impact of IFRS 16.
- The stock option reserve, recognized for a positive value of €332 thousand, expresses the value of the option, recognized on a straight-line basis over the period between the grant date and the vesting date. The aforementioned reserve refers to the stock incentive plan approved by the Ordinary Shareholders' Meeting of 21 April 2020 and reserved for executive directors and key employees of Sanlorenzo and its subsidiaries. The vesting period of the options has been set at four years and each option allows the purchase of one Sanlorenzo share at the price of €16.00. For further details relating to the aforementioned Plan, please refer to the Annual Report on the remuneration policy and the remuneration paid.
- The negative reserve for treasury shares in the portfolio of €(899) thousand as at 31 December 2020 was created with the launch of the treasury share purchase program approved by the Company.
- The legal reserve, which includes the allocation, equal to €2,960 thousand, made by the Company according to the provisions of the Italian Civil Code.

Capital management

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

24. Financial liabilities

(€'000)	31 December 2020	31 December 2019	Change
Bank loans and borrowings (beyond 12 months)	53,708	54,607	(899)
Other loans and borrowings (beyond 12 months)	4,483	1,638	2,845
Total non-current loans and borrowings	**58,191**	**56,245**	**1,946**
Short-term bank loans and borrowings	23,588	17,671	5,917
of which, bank loans	*23,374*	*17,306*	*6,068*
of which, bank advances	*–*	*17*	*(17)*
other short-term loans and borrowings	*214*	*348*	*(134)*
Short-term loans and borrowings from other lenders	1,617	735	882
Derivatives (current portion)	486	507	(21)
Total current loans and borrowings	**25,691**	**18,913**	**6,778**
Total financial liabilities	**83,882**	**75,158**	**8,724**

The item "Total non-current loans and borrowings", standing at €58,191 thousand and €56,245 thousand as at 31 December 2020 and 31 December 2019, respectively, referred primarily to long-term loans and borrowings.
The non-current portion of Other loans and borrowings amounted to €4,483 thousand as at 31 December 2020 and refer to the impact of IFRS 16.
The item "Total current loans and borrowings", equal to €25,691 thousand and €18,913 thousand as at 31 December 2020 and 31 December 2019, respectively, referred primarily to:

- the current portion of bank loans for €23,374 thousand and €17,306 thousand, respectively as at 31 December 2020 and 31 December 2019, including the book value of the loans due within 12 months and the accruals of related interest due to the financing institutions;
- advance accounts amounting to €0 thousand and €17 thousand as at 31 December 2020 and 31 December 2019, respectively;
- loans and borrowings to other lenders for €1,617 thousand, fully referred to the impact of the application of IFRS 16;
- liabilities for derivatives, hedging foreign exchange and interest rate risks, totalling €486 thousand and €507 thousand as at 31 December 2020 and 31 December 2019, respectively.

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

(€'000)	
Financial liabilities as at 31 December 2019	**75,158**
Changes in advances	(17)
Changes in fair value of derivatives	(21)
Increase in liabilities following acquisitions	
New loans	36,457
Repayment of loans	(31,258)
Changes in other loans and borrowings	(163)
New finance leases – IFRS 16 application	3,952
Repayment of finance leases	(226)
Financial liabilities as at 31 December 2020	**83,882**

The breakdown of net financial debt of the Company as at 31 December 2020 and as at 31 December 2019 is provided below.

(€'000)		At 31 December			
		2020	of which intra-group	2019	of which intra-group
A	Cash and cash equivalents	(91,288)		(55,338)	
B	Other cash flows	–		–	
C	Securities held for trading	–		–	
D	**Cash**	**(91,288)**		**(55,338)**	
E	**Current financial receivables**	**(5,405)**	**(4,758)**	**(20,833)**	**(14,180)**
F	Current bank payables	214		365	
G	Current portion of debt	23,374		17,306	
H	Other current financial payables	2,103		1,242	
I	**Current financial debt (F + G + H)**	**25,691**	**–**	**18,913**	**–**
J	**Net current financial debt (I + E + D)**	**(71,002)**	**(4,758)**	**(57,258)**	**(14,180)**
K	Non-current bank payables	53,708		54,607	
L	Bonds issued	–		–	
M	Other non-current payables	4,483		1,638	
N	**Non-current financial debt (K + L + M)**	**58,191**	**–**	**56,245**	**–**
O	**Net financial position**	**(12,811)**	**(4,758)**	**(1,013)**	**(14,180)**

For details, see the Report on operations.
As at 31 December 2020, like in previous years, the Company was required to comply with some financial parameters (covenants) on loans to be calculated, on an annual basis, in the consolidated financial statements of Sanlorenzo S.p.A.

As at 31 December 2020, these parameters were complied with.

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

The following table shows the conditions and due dates of the loans as at 31 December 2020 and 31 December 2019, respectively.

(€'000)	Nominal interest rate	Year of maturity/ repayment	31 December 2020					
			Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Over 5 years
Sanlorenzo S.p.A.	**rate**	**Year**						
Banco BPM - unsecured loan €5m 30.06.22	of maturity/	2022	1,579	17	1,562	1,039	523	–
Banco BPM - unsecured loan €6m 29.12.23	repayment	2023	3,634	19	3,615	1,190	2,425	–
Banco BPM - mortgage loan €7.75m 31.12.25	1.20%	2025	3,198	31	3,167	615	2,552	–
Banco BPM - mortgage loan €814k 31.12.30	1.00%	2030	714	–	714	68	279	367
Banco BPM - mortgage loan €7.41m 31.12.30	1.00%	2030	6,498	–	6,498	618	2,542	3,338
Banco di Sardegna - unsecured loan €5m 28.03.23	1.20%	2020	–	–	–	–	–	–
Banco di Sardegna - unsecured loan €5m 30.09.25	0.50%	2025	4,753	2	4,751	991	3,761	–
BNL - mortgage loan €6.25m 12.12.19	3.80%	2019	–	–	–	–	–	–
Banco BPM - unsecured loan €5m 30.06.22	0.45%	2022	3,750	–	3,750	2,500	1,250	–
BPER - unsecured loan €5m 30.09.25	0.50%	2025	4,753	–	4,753	991	3,762	–
Cassa di Risparmio di Bra - unsecured loan €5m 28.03.23	1.20%	2020	–	–	–	–	–	–
Carige - unsecured loan €2.5m 28.02.19	0.90%	2019	–	–	–	–	–	–
Carige - unsecured loan €5m 31.12.23	1.15%	2023	3,040	11	3,029	994	2,035	–
Cassa Depositi e Prestiti - unsecured loan €10m 31.12.26	0.95%	2026	8,571	–	8,571	1,429	5,714	1,429
Crédit Agricole - mortgage loan €15m 29.11.26	0.75%	2026	9,473	49	9,424	1,536	6,282	1,607
Creval - unsecured loan €7m 05.07.23	1.25%	2023	3,923	5	3,918	1,408	2,510	–
Deutsche Bank - unsecured loan €7.5m 31.03.23	0.50%	2023	3,375	3	3,372	1,498	1,874	–
Intesa Sanpaolo - unsecured loan €3m 13.07.22	0.70%	2022	1,050	–	1,050	600	450	–
MPS - unsecured loan €2.5m 30.06.19	0.90%	2019	–	–	–	–	–	–
MPS - unsecured loan €6m 31.12.23	0.70%	2023	3,600	12	3,588	1,194	2,394	–
UBI - unsecured loan €5m 06.06.21	0.95%	2021	846	1	845	845	–	–
UBI - unsecured loan €3m 13.05.21	0.40%	2021	2,500	–	2,500	2,500	–	–
UniCredit - unsecured loan €15m 31.12.22	1.40%	2020	–	–	–	–	–	–
UniCredit - unsecured loan €8.25m 31.12.22	0.30%	2022	6,000	19	5,981	2,987	2,995	–
UniCredit - unsecured loan €6m 30.09.25	0.20%	2025	6,000	6	5,994	373	5,621	–
Total Sanlorenzo S.p.A.			**77,257**	**175**	**77,082**	**23,374**	**46,968**	**6,740**

	31 December 2019					
	Nominal value	Accounting records	Carrying amount	Within 1 year	From 1 to 5 years	Ove 5 years
Sanlorenzo S.p.A.						
Banco BPM - unsecured loan €5m 30.06.22	2,632	(43)	2,589	1,030	1,559	–
Banco BPM - unsecured loan €6m 29.12.23	4,823	(31)	4,792	1,179	3,613	–
Banco BPM - mortgage loan €7.75m 31.12.25	3,812	(51)	3,761	596	2,507	658
Banco BPM - mortgage loan €814k 31.12.30	781	–	781	67	277	437
Banco BPM - mortgage loan €7.41m 31.12.30	7,109	–	7,109	612	2,514	3,983
Banco di Sardegna - unsecured loan €5m 28.03.23	3,284	(9)	3,275	993	2,282	–
Banco di Sardegna - unsecured loan €5m 30.09.25	–	–	–	–	–	–
BNL - mortgage loan €6.25m 12.12.19	–	–	–	–	–	–
Banco BPM - unsecured loan €5m 30.06.22	–	–	–	–	–	–
BPER - unsecured loan €5m 30.09.25	–	–	–	–	–	–
Cassa di Risparmio di Bra - unsecured loan €5m 28.03.23	3,284	(9)	3,275	993	2,282	–
Carige - unsecured loan €2.5m 28.02.19	–	–	–	–	–	–
Carige - unsecured loan €5m 31.12.23	4,027	(16)	4,011	971	3,040	–
Cassa Depositi e Prestiti - unsecured loan €10m 31.12.26	–	–	–	–	–	–
Crédit Agricole - mortgage loan €15m 29.11.26	14,259	(93)	14,166	1,482	6,158	6,526
Creval - unsecured loan €7m 05.07.23	5,307	(9)	5,298	1,378	3,920	–
Deutsche Bank - unsecured loan €7.5m 31.03.23	4,875	(9)	4,866	1,497	3,369	–
Intesa Sanpaolo - unsecured loan €3m 13.07.22	1,650	(1)	1,649	599	1,050	–
MPS - unsecured loan €2.5m 30.06.19	–	–	–	–	–	–
MPS - unsecured loan €6m 31.12.23	4,800	(20)	4,780	1,193	3,587	–
UBI - unsecured loan €5m 06.06.21	2,522	(7)	2,515	1,670	845	–
UBI - unsecured loan €3m 13.05.21	–	–	–	–	–	–
UniCredit - unsecured loan €15m 31.12.22	9,000	–	9,000	3,000	6,000	–
UniCredit - unsecured loan €8.25m 31.12.22	–	–	–	–	–	–
UniCredit - unsecured loan €6m 30.09.25	–	–	–	–	–	–
Total Sanlorenzo S.p.A.	**72,165**	**(298)**	**71,867**	**17,260**	**43,003**	**11,604**

25. Trade payables

(€'000)	31 December 2020	31 December 2019	Change
Trade payables	125,306	145,164	(19,858)
Subsidiaries	899	621	278
Affiliated companies	153	139	14
Parent Companies	26	29	(3)
Trade payables	**126,384**	**145,953**	**(19,569)**

"Trade payables" include amounts due to suppliers and payables due to affiliated companies, parent company and subsidiaries.
"Trade payables" amounted to €125,306 thousand and €145,164 thousand as at 31 December 2020 and 31 December 2019, respectively.
"Subsidiaries" shows a balance of €899 thousand as at 31 December 2020 and €621 thousand as at 31 December 2019.
"Affiliated companies" shows a balance of €139 thousand as at 31 December 2019 and €153 thousand as at 31 December 2020.
A breakdown of trade payables as current and non-current is as follows:

(€'000)	31 December 2020	31 December 2019	Change
Trade payables	125,306	145,164	(19,858)
of which current	*125,306*	*145,164*	*(19,858)*
Trade payables	**125,306**	**145,164**	**(19,858)**

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

(€'000)	31 December 2020	31 December 2019	Change
Italy	120,548	138,916	(18,368)
Europe (other countries)	4,516	5,813	(1,297)
Americas	137	233	(96)
APAC	92	202	(110)
Middle East	13	–	13
Trade payables	**125,306**	**145,164**	**(19,858)**

26. Other current liabilities

(€'000)	31 December 2020	31 December 2019	Change
Social security contributions	1,848	2,307	(459)
Other liabilities	1,988	4,959	(2,971)
Accrued expenses and deferred income	12,566	10,101	2,465
Other current liabilities	**16,402**	**17,367**	**(965)**

"Social security contributions" show liabilities at the reporting date due to INPS, INAIL and Previndai (Italian social security institutions) for contributions due on wages and salaries. They were equal to €1,848 thousand as at 31 December 2020 and €2,307 thousand as at 31 December 2019, down by €(459) thousand.
The item "Other payables" shows a €1,988 thousand balance as at 31 December 2020 and mainly consists of payables to personnel.
The item "Accrued expenses and deferred income" was up between 2019 and 2020 by €2,465 thousand. Deferred income mainly refers to commissions due, which accrue according to the progress of work on the construction of boats.

27. Employee benefits

(€'000)	
31 December 2019	**748**
Accruals	–
Interest	8
Utilisations	(68)
Incoming and outgoing employees	–
Present value as at 31 December 2020	688
Net actuarial gains/(losses) based on past experience	25
Net actuarial gains/(losses) arising on changes to demographic assumptions	–
Net actuarial gains/(losses) arising on changes to financial assumptions	12
31 December 2020	**725**

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

FINANCIAL ASSUMPTIONS

	31 December 2020	31 December 2019
Annual discount rate	0.34%	0.77%
Annual inflation rate	0.80%	1.20%
Annual growth rate of post-employment benefits	2.10%	2.40%
Annual remuneration growth rate	0.50%	0.50%

DEMOGRAPHICAL ASSUMPTIONS

Mortality	RG48 mortality tables published by the Italian State General Accounting Office
Disability	INPS tables split by age and gender
Retirement	100% upon attainment of the AGO requirements

ANNUAL TURNOVER RATE AND ADVANCES OF POST-EMPLOYMENT BENEFITS

	31 December 2020	31 December 2019
Advances	1.00%	1.00%
Turnover rate	1.50%	1.50%

As at 31 December 2020, net actuarial gains based on past experience were equal to €25 thousand. These are gains/(losses) due to variations from one valuation to another in terms of new, outgoing and retired employees, requests for advances, etc. that differ from those assumed. There was also a net actuarial gain arising on changes in financial assumptions equal to €12 thousand.
Actuarial gains and losses are recognised in other comprehensive income while the group provides for the related cost under personnel expenses or as production costs, under the gross operating profit or general and administrative costs as the case may be.

28. Provisions for risks and charges

Provisions for risks and charges

(€'000)	Disputes	Warranties	Losses on equity investments	Pre-owned	Exchange rates fluctuations	Total
Provisions for risks and charges as at 31 December 2019	**2,534**	**3,770**	**2,387**	**3,510**	**46**	**12,247**
Accruals	4,055	400	–	1,569	–	6,024
Utilisations	–	–	–	(2,914)	(46)	(2,960)
Provisions for risks and charges as at 31 December 2020	**6,589**	**4,170**	**2,387**	**2,165**	**–**	**15,311**

The provisions for risks and charges include the provision for disputes, the provision for costs to complete contracts, the provision for warranties, the provision for losses on equity investments, the provision for foreign exchange fluctuations and the provisions for risks on pre-owned.
In turn, they may be analysed as follows:

- Provision for disputes: refers to the amount prudently set up by the Company for the resolution of disputes. This item amounted to €2,534 thousand as at 31 December 2019 and €6,589 thousand as at 31 December 2020. More details on these disputes are provided in the following paragraph.
- Provision for warranties: it was calculated based on the best estimate of the cost of possible repairs to be provided under warranty to boats sold at the reporting dates for which it has already recognised the contract revenue. The provision covers the new boats of the Company. It amounted to €4,170 thousand as at 31 December 2020 and €3,770 thousand as at 31 December 2019, respectively. The warranty term normally amounts to two years for new boats and one year for pre-owned boats.
- Provision for losses on equity investments: this was set up in order to align the investment in the subsidiary Sanlorenzo Baleari SL to parent's share of its equity. This item shows a balance of €2,387 thousand for the year ended 31 December 2020 and 31 December 2019.
- Exchange rate fluctuation provision: as at 31 December 2020, the balance was zero.
- Provisions for risks on pre-owned: as at 31 December 2020, it amounted to €2,165 thousand and refers to the commitment for withdrawing pre-owned on new yachts.

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

(€'000)	31 December 2020	31 December 2019	Change
Warranties	4,170	3,770	400
of which current	*2,937*	*2,941*	*(1,708)*
of which non-current	*1,233*	*829*	*2,108*
Total	**4,170**	**3,770**	**400**

All other provisions are current.

Administrative, in-court and arbitration proceedings

Administrative, in-court and arbitration proceedings in which the Company is involved
The Company, at the approval date of these separate financial statements, is involved in legal proceedings as part of its normal business activities. They could lead to fines or compensation for damage imputable to the Company.
As far as the Company is aware, these legal proceedings are normal, given the Company's operations and size. Specifically, at the approval date of these separate financial statements, the Company is not involved in any legal proceedings that could have a significant adverse effect. However, it cannot be excluded that their outcome could negatively affect the Company's financial position, performance and cash flow in the future.

Assisted by its legal advisors, the Company has not set up a specific provision for possible liabilities that could arise from the proceedings in its financial statements as it deems that a negative outcome in said disputes is either not possible or remote.
However, the Company cannot exclude that it may be required to disburse amounts in the future should the outcome of the proceedings not be in its favour.
Excluding that set out below, at the date of approval of these financial statements, the Company is not involved in legal or arbitration proceedings that could have or have had in the recent past significant repercussions on its financial position or performance.
At the date of drafting of the separate financial statements, in relation to the arbitration proceedings brought against the Company, the latter had already booked a liability of €895 thousand in the previous financial statements corresponding to the risk considered likely in respect of said proceedings, based on the estimates of its UK legal advisors.
The main proceedings and inspections involving the Company are described below.

Arbitration proceedings

At the approval date of these separate financial statements, the Sanlorenzo S.p.A. and Contra Limited ("Contra"), a company under Malta's laws, are part of an arbitration proceeding in London. Contra, purchaser of a SD110 yacht, complained about the Company's non-fulfilment of the obligations assumed under the sale contract, requesting the latter's termination and sentencing of the Company to repay the price paid and compensation for the alleged damages suffered, for an amount of around €10,000,000.
In relation to said dispute, the Company booked a liability of €895 thousand to the separate financial statements corresponding to the risk considered likely in respect of said proceedings based on the estimates of its UK legal advisors.

Tax proceedings

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

- two assessment notices for IRES, IRAP and VAT issued by the tax authority of the region of Liguria and relating to the 2013 and 2014 tax periods. The first assessment notice requests payment of taxes for a total of €515 thousand, plus penalties of €586 thousand and interest. The second assessment notice, requests payment of taxes for a total of €317 thousand, plus penalties of €293 thousand and interest;
- a formal invitation to join the tax audit conclusions for IRES, IRAP and VAT purposes issued by the tax authority of the region of Liguria for the 2015 tax period, in which tax issues equal to €698 thousand were identified, plus penalties of €257 thousand and interest;
- a formal notice of findings for IRES, IRAP and VAT issued by the tax authority of the region of Liguria, for the 2016 tax period. This report on findings contains a request for the payment of taxes equal to €2,157 thousand, with penalties estimated at €2,025 thousand.

With reference to the assessment notice for the 2013 tax period, as it was not possible to settle through conciliation proceedings, the Company has appealed to the tax commission of the province of Genova. On 14 December 2020, the tax commission issued a judgement in favour of the Company with regard to the main finding. With the recent notification of the appeal, the tax authority of the region of Liguria started the procedure before the regional tax commission.

With regard to the assessment notice for the 2014 tax period, as it was not possible to agree on the exceptions through conciliation proceedings, the Company has filed an appeal with the tax commission of the province of Genova. The hearing has been set for 7 April 2021.
With reference to the formal invitation to join the tax audit conclusions for the 2015 tax period, it should be noted that the cross-examination with the office is currently ongoing, with the aim of agreeing to a consolidation. With regard to the same tax period and with reference to the tax credit for Research and Development, the tax authority of the region of Liguria has requested specific clarifications, to which the Company is preparing a response through its defence counsel.
With regard to the audit on the 2016 tax period, the tax authority of the region of Liguria has informed the Company that it had forwarded the documentation regarding the tax credit for Research and Development to the Ministry of Economic Development, to which it pertains to express an opinion on the technical issues regarding the eligibility of expenses included in the scope of the tax benefit. The outcome of this assessment has not yet been disclosed.
To mitigate the risk regarding these tax audits, the Company has adjusted the value of the existing provision for risks, bringing it to €2,589 thousand.

Administrative proceedings

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

29. Financial instruments – Fair values and risk management

Derivatives

The Company uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. This item includes the fair value of derivatives in place as at 31 December of each year.
The Group uses derivatives to hedge against the risk of fluctuations in exchange and interest rates. This item includes the fair value of derivatives in place as at 31 December of each year.
Specifically, as at 31 December 2020, the Group had the following derivatives in its portfolio:

- forward agreements relating to sales of US dollars against euros for a notional total of €14,970 thousand designated as instruments hedging amounts received in US dollars by the subsidiary Sanlorenzo of the Americas LLC;
- interest rate swaps and interest rate caps for a notional total of €39,825 thousand designated as instruments hedging interest rates on medium/long-term loans.

(€'000)	31 December 2020	31 December 2019	Change
Derivative assets			
Currency hedges	1	4	(3)
Interest rate swaps	646	148	498
Total assets	**647**	**152**	**495**
Derivative liabilities			
Currency hedges	–	(5)	5
Interest rate swaps	(486)	(502)	16
Total liabilities	**(486)**	**(507)**	**21**

Derivative assets amounted to €647 thousand and €152 thousand as at 31 December 2020 and 31 December 2019, respectively.
Derivative liabilities amounted to €486 thousand and €507 thousand as at 31 December 2020 and 31 December 2019, respectively.
As the derivatives used by the Company qualify as hedges, their valuation takes place at fair value level 2.

Risk factors

Credit risk
It is noted that, given the type of products sold by the Group, no specific credit risk is identified; this assessment is supported by the strict rule, contractually formalised, that requires payments to be executed on or before the delivery of the boat and the related transfer of ownership.
Regarding the residual services related to the sale of spare parts or the provision of assistance services not covered by the warranty, which are, however, negligible to the business of the Company, this improved the prevention and monitoring processes for credit-checks, using external sources and internal systems that allow preventive controls on customers' reliability and solvency.

Liquidity risk
The Group was able to manage the liquidity risk by reinvesting cash flows from operations and by obtaining loan commitments, considered adequate to meet its financial liquidity needs.

Risks related to changes in the reference regulatory framework
The Company is required to comply with laws and technical regulations applicable to its products and their sale in the countries where it operates and sells its products.
With respect to its production activities, regulations about (i) occupational health and safety, (ii) environmental protection, and (iii) boat building technical standards are very important, also because their modification could lead to higher production costs.

The issue of new regulations or changes to existing regulations could require the Company to adopt tougher standards, which could entail costs to align the production methods or product characteristics or, even limit the Company's operations. This could have a negative effect on its business and prospects as well as its financial position, financial performance and cash flows.
With respect to the sale of the Company's products, any regulatory changes to the taxation or sale of the Yachts (e.g., VAT, import duties and taxes on luxury goods, embargos) or sailing (e.g., regulations about fuel, the environmental impact and emissions) may affect the Company's business and, hence, its financial position, financial performance and cash flows.

Risks related to disputes and tax audits

The Company could be involved in legal proceedings giving rise to the risk of having to pay fines and incurring sanctions.
The Company is also exposed to the risk that the outcome of pending disputes involving large amounts may not be in its favour and this would have a negative effect on its financial position, financial performance and cash flows.

Exposure to interest rate fluctuation

The Company is exposed to changes in interest rates on its variable rate debt instruments within the Euro area.
The Company adopts precise strategies aimed at reducing the risks connected with changes in interest rates, such as hedging transactions through interest rate swaps or interest rate caps with financial counterparties of prime standing.

Exposure to exchange rate fluctuations

Consistently with the geographical distribution of its turnover, the Company's exposure to foreign exchange risk is limited, being the Euro the currency primarily used for the sale of yachts.
In order to mitigate the negative effect of exchange rate fluctuations, in the limited cases of sales of yachts in other currencies (mainly USD in the U.S.A. market), specific currency swaps or forward currency sales transactions are set up when the related contract with the customer is entered into.

GROUP STRUCTURE

30. Subsidiaries

The following table provides information, as at 31 December 2020, concerning the name and registered office of all subsidiaries, as well as the Company's direct or indirect holdings in their share capital.

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

Bluegame S.r.l.

This company, with registered office in Viareggio, was set up at the end of 2017 to acquire the historical "Bluegame" brand from Open Boat Italia, a company owning yacht moulds, under deed of arrangement. In 2019, the Parent Company acquired a 49.5% stake in Bluegame from other shareholders, which, added to the 50.5% stake already in its possession, has given it a 100% stake.
The company ended 2020 with a net profit equal to €2,024 thousand, up significantly compared to the €752 thousand recorded in 2019.

Sanlorenzo of the Americas LLC

Based in Fort Lauderdale (Florida, USA), this company's business objective is to sell Sanlorenzo boats to international customers in Canada, the US and Central and South America as well as acting as a dealer and providing post-sale support in these markets. Since its incorporation in September 2008, Sanlorenzo of the Americas has steadily promoted the Sanlorenzo brand in the American markets.
On 15 July 2019, Sanlorenzo S.p.A sold a 10% stake in Sanlorenzo of the Americas to the chief executive officer of the company, Marco Segato.
In the year ended 31 December 2020, the subsidiary recorded a €77 thousand gain for IRES purposes, against a €1,889 thousand loss as at 31 December 2019.

Sanlorenzo Baleari SL

This company, based in Puerto Portals, Mallorca (Spain) with a share capital of €500 thousand, provides support to the sales and customer service activities in Spain and the Balearic Islands.
In 2020, Sanlorenzo S.p.A. subscribed the entire share capital, increasing its stake from 51% to 100%.
In 2020, the company recorded a profit equal approximately to €183 thousand against a €37 thousand loss recorded in 2019.

Marine Yachting Monaco S.A.M.

The company, with registered office in the Principality of Monaco and a share capital of €150 thousand, carries out sales support and service activity to customers in the area.
On 28 September 2020, Sanlorenzo S.p.A. acquired a 40.0% stake in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Currently, Sanlorenzo S.p.A. holds 99.7% of the share capital of Marine Yachting Monaco.
The Company reported a €89 thousand loss in 2020 against a €28 thousand profit in 2019.

31. Associated companies

The Parent Company also holds a stake in the associated company Polo Nautico Viareggio, a limited liability consortium, ("Polo Nautico"), which manages, for the consortium companies, a yard of approx. 7,000 square metres on the sea front, including mooring quays and the relevant equipment and services, in Viareggio.
On 20 January 2020, the share capital of Polo Nautico was increased from €67,400 to €667,400 with €300,000 of the share capital increase subscribed by Sanlorenzo. Following the share capital increase, the stake held by Sanlorenzo in Polo Nautico increased from 48.15% to 49.81%.
The stake in Polo Nautico is recognised in the Company's financial statements with the equity method.

ADDITIONAL INFORMATION

32. Commitments

The most significant contractual commitments undertaken with third parties as at 31 December 2020 refer to:

- credit mandates for bank credit lines granted to Bluegame S.r.l. and Sanlorenzo of the Americas LLC for a total of €21,149 thousand;
- corporate guarantees issued by the Parent Company on a €6,916 thousand loan granted to a brand representative for the purchase of boats of the Group;
- corporate guarantee issued by the Parent Company to Banco BPM for a €1,907 thousand loan granted to the associate Polo Nautico Viareggio S.r.l.;
- sundry sureties for a total of €305 thousand relating to state concessions, guarantees issued to public administrations, etc.

33. Contingent liabilities

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

34. Related parties and intra-group transactions

Business and financial relationships with related parties are governed under market conditions, taking into account the characteristics of the goods and services provided.
Transactions with related parties deemed relevant pursuant to the "Procedure on related-party transactions" adopted by the Group, available on the Company's website (www.sanlorenzoyacht.com) under the "Corporate Governance" section, are described below.
Business transactions and balances with consolidated companies were eliminated on consolidation and, therefore, are not commented upon.
In 2020, outstanding transactions with related parties regard primarily business and financial transactions carried out under market conditions, as listed below:

- Holding Happy Life S.r.l.: business transactions with Holding Happy Life S.r.l (HHL), the holding company of Sanlorenzo, regard the contract for the acquisition of a Sanlorenzo yacht signed on 26 June 2019 based on the approval resolution of the Sanlorenzo Board of Directors of 24 June 2019 pursuant to the regulations on conflicts of interests. The boat was delivered in 2020; following delivery, HHL makes the yacht available to Sanlorenzo for marketing activities pursuant to the charter agreement stipulated between the parties. On 16 November 2020, the contract for the supply of a new vessel was also signed, after approval of the Board of Directors of Sanlorenzo on 9 November 2020;

- Nuova Nautical Transports S.r.l.: business transactions with Nuova Nautical Transports S.r.l., the chief executive officer of which, Gian Paolo Tamburini, is the uncle of the Executive Chairman Massimo Perotti and great uncle of Cecilia Maria Perotti, regard read haulage activity for Sanlorenzo, pursuant to the framework agreement concluded on 6 April 2020, expiring on 31 December 2022, after the resolution of the Sanlorenzo Board of Directors on 20 March 2020;
- World Yachts S.r.l.: business transactions with World Yachts S.r.l., the shareholder and chief executive officer of which, Glenda Cecchi, is the wife of the senior executive Ferruccio Rossi, regard supplies of materials to Sanlorenzo, pursuant to the framework agreement concluded on 6 April 2020, expiring on 31 December 2022, after the resolution of the Sanlorenzo Board of Directors on 20 March 2020;
- Ferruccio Rossi: financial transactions with the senior executive Ferruccio Rossi regard a loan granted by Sanlorenzo on 9 July 2018;
- Antonio Santella: financial transactions with the senior executive Antonio Santella regard a loan granted by Sanlorenzo on 20 July 2018.

The tables below provide information on transactions with related parties as at 31 December 2020 impacting the income statement as well as the balance sheet.

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial expense
Holding Happy Life S.r.l.	9,489	–	–	(120)	–	–
Nuova Nautical Transports S.r.l.	–	–	–	(441)	–	–
World Yachts S.r.l.	7	(2,566)	(31)	(5)	–	–
Ferruccio Rossi	–	–	–	–	(854)	–
Antonio Santella	–	–	–	–	(799)	–
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	(5,527)	–
Total related parties	**9,496**	**(2,566)**	**(31)**	**(566)**	**(7,180)**	**–**
Total financial statements	**469,182**	**(172,209)**	**(165,771)**	**(42,000)**	**(34,980)**	**(1,532)**
% Impact	2.0%	1.5%	0.0%	1.3%	20.5%	–

(€'000)	Other current assets	Contract assets	Trade receivables	Contract liabilities	Trade payables	Other current liabilities
Holding Happy Life S.r.l.	–	–	–	547	26	–
Nuova Nautical Transports S.r.l.	27	–	1	–	40	–
World Yachts S.r.l.	–	–	–	–	802	–
Ferruccio Rossi	200	–	–	–	–	290
Antonio Santella	100	–	–	–	–	36
Directors, statutory auditors and managers with strategic responsibilities	–	–	–	–	–	5,527
Total related parties	**327**	**–**	**1**	**547**	**868**	**5,853**
Total financial statements	**28,533**	**109,253**	**16,866**	**49,471**	**126,384**	**16,402**
% Impact	1.1%	–	0.0%	1.1%	0.7%	35.7%

Inter-group relations and transactions with associated companies

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

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

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

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

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial expense
Sanlorenzo Baleari SL	–	–	–	–	–	3
Marine Yachting Monaco S.A.M.	–	–	–	(11)	–	–
Bluegame S.r.l.	214	–	–	–	–	76
Sanlorenzo of the Americas LLC	47,662	(14)	–	(1,354)	–	355
Total	**47,876**	**(14)**	**–**	**(1,365)**	**–**	**434**
Total financial statements	**469,182**	**(172,209)**	**(165,771)**	**(42,000)**	**(34,980)**	**(1,532)**
% Impact	*10.2%*	*0.0%*	*–*	*3.3%*	*–*	*(28.3%)*

(€'000)	Other current assets	Contract assets	Other financial assets, including derivatives	Trade receivables	Contract liabilities	Trade payables
Sanlorenzo Baleari SL	–	–	4,758	3	–	–
Marine Yachting Monaco S.A.M.	–	–	–	–	–	11
Bluegame S.r.l.	–	–	–	252	–	96
Sanlorenzo of the Americas LLC	–	–	–	248	2,116	793
Total	**–**	**–**	**4,758**	**503**	**2,116**	**900**
Total financial statements	**28,533**	**109,253**	**5,405**	**16,866**	**49,471**	**126,384**
% Impact	*–*	*–*	*88.0%*	*3.0%*	*4.3%*	*0.7%*

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

(€'000)	Revenues	Raw materials, consumables and finished products	Outsourcing	Other service costs	Personnel expenses	Net financial expense
Polo Nautico Viareggio S.r.l.	–	–	–	(487)	–	(28)
Total	**–**	**–**	**–**	**(487)**	**–**	**(28)**
Total financial statements	**469,182**	**(172,209)**	**(165,771)**	**(42,000)**	**(34,980)**	**(1,532)**
% Impact	*0.0%*	*0.0%*	*0.0%*	*1.2%*	*0.0%*	*1.8%*

(€'000)	Other current assets	Contract assets	Other financial assets, including derivatives	Trade receivables	Contract liabilities	Trade payables
Polo Nautico Viareggio S.r.l.	–	–	–	–	–	153
Total	**–**	**–**	**–**	**–**	**–**	**153**
Total financial statements	**28,533**	**109,253**	**5,405**	**16,866**	**49,471**	**126,384**
% Impact	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.1%*

Remunerations paid by the Company

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

(€'000)	31 December 2020
Emoluments	2,433
Remuneration for participation in committees	34
Total remuneration paid to the Board of Directors	**2,467**

(€'000)	31 December 2020
Total remuneration paid to the Board of Statutory Auditors (excluding the additional charges provided by the law)	**80**

(€'000)	31 December 2020
Total remuneration paid to the Managers with strategic responsibilities	**4,748**
of which gross annual salary	*1,940*
of which bonus	*1,452*
of which non-competition agreement	*70*
of which fair value of stock options	*122*

35. Remuneration to the Independent Auditing Firm

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

(€'000)	Service provider	Remuneration for 2020
Auditing	BDO Italia S.p.A.	96
Total remuneration paid to the Independent Auditing Firm		**96**

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

In 2020, the following state aid was recognized, consisting of economic and financial benefits related to the guarantee provided by the Guarantee Fund Law 662/96, approved by the European Commission pursuant to Section 3.1. of the "Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Emergency" and subsequent amendments and additions (Temporary Framework).

Beneficiary	Amount recognized (Euro)	Description
Sanlorenzo S.p.A.	153,761	Medium /long-term loan secured by a guarantee from Fondo Centrale di Garanzia/Mediocredito Centrale

37. Management and coordination activities

Besides the holding of a controlling interest pursuant to Article 93 of the Consolidated Law on Finance, Holding Happy Life S.r.l does not exercise management and coordination activities over Sanlorenzo pursuant to Articles 2497 et seq. of the Italian Civil Code.

38. Events occurring after the reporting date

Perini Navi

On 15 February 2021, Ferretti Group and Sanlorenzo announced the plan to create a joint venture with equal stakes to make an offer for the acquisition of Perini Navi, declared bankrupt by the Court of Lucca on 29 January 2021.

Through the joint venture, the Ferretti Group and Sanlorenzo expressed an interest in making an offer for the acquisition of the Italian brands, assets and activities of Perini Navi, also through a preliminary business branch lease.

ACCOUNTING STANDARDS

39. Basis of measurement

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

40. Significant accounting standards

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

Basis of preparation

The separate financial statements as at 31 December 2020 include the statement of financial position, the statement of profit/(loss) for the year and other comprehensive income, the statement of changes in equity, the statement of cash flow and the corresponding explanatory notes.
The financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. IFRS include the ruling International Accounting Standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously called the Standing Interpretations Committee (SIC).
The separate financial statements have been prepared using the historical cost method (any exceptions to this method are explained below) and the going concern assumption. The Directors have checked that there are no material uncertainties (as defined in IAS 1.25) in relation to the going-concern assumption.
The Company elected to present its assets and liabilities as current or non-current and its revenues and costs by nature from among the options allowed by IAS 1. The statement of cash flows is prepared using the indirect method.
The significant accounting standards adopted to prepare the separate financial statements applied to all the periods presented in the Company's financial statements are described below.
Unless specified otherwise, the accounting standards have been applied consistently to all the periods included in the separate financial statements. Please refer to note "Significant accounting standards" for more information and details regarding the application of the accounting standards.

Basis of measurement

Foreign currency transactions
Foreign currency transactions are recorded in Euro by applying to the amount in foreign currency the spot rate of exchange between the Euro and the foreign currency in effect as at the transaction date.
Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair

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

Revenue from contracts with customers

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

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

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

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

If a contract has more than one performance obligation, which is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to a customer, classification as a contract asset or liability takes place considering all the performance obligations as a whole.

Assets and liabilities arising from contracts with customers where the revenue is recognised over time are measured using the cost-to-cost method, whereby the contract costs, revenue and profit or loss is recognised in line with fulfilment of the performance obligation (progress towards completion).

The percentage of costs incurred at the reporting date is compared to the total costs to satisfy the performance obligation.

Conversely, if the requirements for the recognition of revenue over time are not met, revenue is recognised at a point in time. In this case, progress towards completion is recognised under inventories.

Contract assets are recognised net of any accumulated impairment losses.

The group regularly reviews the estimates and any gains or losses are recognised in the period in which the changes to the estimates are made. Onerous contracts are treated in accordance with the methods described further on in this note.

The consideration for contracts in a currency other than the functional currency is measured by translating the accrued consideration, calculated using the percentage of completion method, using the closing rates.

The Company's exchange rate risk policy requires that all contracts that expose cash flows to changes in exchange rates are hedged on time.

See note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.

Revenues related to maintenance, sales of spare parts and charter services activities are managed through spot orders from the client and are recognised on a "point in time" basis.

Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

An independent actuary performs the calculation using the projected unit credit method. When the calculation generates a surplus, the Company recognises a net benefit asset to the extent of the asset ceiling, i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. Net interest and other expenses on the net defined benefit liability (asset) are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Public contributions

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

Cost recognition

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

Financial income and expense

Interest income or expense is recognised in profit and loss using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.
The effective interest rate is the rate that exactly discounts the estimated future payments or collections over the financial asset's useful life: – is the gross book value of the financial asset; or – at the amortised cost of the financial liability. In order to calculate interest income and expense, the effective interest rate is applied to the asset's gross carrying amount (when the asset is not impaired) or the liability's amortised cost. Moreover, when a financial asset is impaired after initial recognition, interest income is calculated by applying the effective interest rate to the financial asset's amortised cost. Should the financial asset no longer be impaired, the interest income is again calculated considering the asset's gross carrying amount.
Income taxes
The tax expense for the period includes the current and deferred taxes recognised in profit or loss, except for those related to business combinations or captions recognised directly in equity or other comprehensive income. The Company recognises interest and fines related to income taxes, including the accounting treatment to be applied to income taxes of an uncertain nature, in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets, when they do not meet the definition of income taxes.

Current taxes

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

Deferred taxes

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

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

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

Trade receivables

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

Objective evidence includes events such as:

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

The impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the future cash flows recognised in profit or loss. Unrecoverable amounts are derecognised from the statement of financial position through the loss allowance. If the reasons for the impairment loss are no longer valid in subsequent periods, an impairment gain is recognised and the asset is reinstated at the amount it would have had calculated using the amortised cost method.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of inventories of products manufactured by the Company, cost includes an appropriate share of production overheads based on normal operating capacity.

Property, plant and equipment

Recognition and initial measurement

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

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Amortisation

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

The estimated useful lives for current and comparative periods are as follows:

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

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

Intangible assets and goodwill

Recognition and initial measurement

Goodwill: Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

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

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

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.
The estimated useful lives for current and comparative periods are as follows:

Development costs	8 years – 12.50%
Software	5 years - 20%
Mooring rights	Transaction term
Trademarks	18 years
Goodwill arising on consolidation	10 years - 10%
Other	Over the individual transaction term

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

Cash and cash equivalents

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

Financial instruments

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

Classification and subsequent measurement

Financial assets

At initial recognition, a financial asset is classified based on its measurement at:

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

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

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

Financial assets: assessment of the business model

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

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

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

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

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

Financial assets: classification, subsequent measurement and gains and losses
Financial assets measured at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss of the year. See note "Financial instruments – Fair values and risk management" for information on derivatives designated as hedging instruments.
Financial assets measured at amortised cost: these assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is decreased for impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss of the year as are any derecognition gains or losses.
Debt instruments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss of the year. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss of the year.
Equity instruments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss of the year unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Derecognition

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

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

Offsetting

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

Derivatives and hedge accounting

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

Cash flow hedges

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

Share Capital

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

Impairment

Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for ECLs on:

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

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

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

The loss allowance for trade receivables and contract assets is always measured considering their lifetime expected credit losses.

The Company considers reasonable and supportable information that is available without undue cost or effort that is indicative of significant increases in credit risk since initial recognition to estimate the expected credit losses. It considers quantitative and qualitative information and analysis, based on past experience of the Company, of the financial asset and forward looking information. The credit risk of a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a debt or an advance payment by the Company that it would have not otherwise been taken into consideration;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of the loss allowance in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss of the year and is recognised in OCI.

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

Non-financial assets
At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the Company estimated the asset's recoverable amount. Goodwill is tested annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash-Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-

tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.
Impairment losses are recognised in profit or loss of the year. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Provisions

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

Leases

Determining whether an arrangement contains a lease

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

Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Fair value measurement

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

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

41. New standards, amendments and interpretations

The new standards, amendments and interpretations issued by the IASB (International Accounting Standards Board) the adoption of which will be mandatory in 2021, or in subsequent years, are listed below.

Amendments to IFRS 17 – Insurance contracts

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

Amendments to IAS 1 – Presentation of Financial Statements

The purpose of the amendment to the international accounting standard is to clarify how to establish whether a debt or another liability with an uncertain date, in the statement of financial position, should be classified as short-term or long-term liability. In the clarifications introduced by the amendment, it is stated that a liability that recognizes the right to defer settlement for at least 12 months after the end of the reference year cannot be classified as current. It is stated that a liability must be considered "non-current" if the entity is expected to extinguish the debt within 12 months of the reference year. Lastly, it is also stated that if the option of converting the debt into an equity instrument is provided, the classification as current or non-current is not affected, if, applying IAS 32, the option is recognized in equity separately from the liability. The amendments will come into force on 1 January 2022; early application is however permitted. The Group has not exercised the early application option and does not expect significant impacts from the adoption of these amendments.

Amendment to IFRS 3 – Business combinations

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

Amendment to IAS 16 – Property, plant and equipment

The amendment prohibits the deduction from the cost of fixed assets of the amount of the sale of goods produced before the asset was ready for use. Revenues and related costs will be recognized in the income statement. The amendment will enter into force on 1 January 2022.
The Company does not expect significant impacts from the adoption of this amendment.

Amendment to IAS 37 – Provisions, contingent liabilities and contingent assets

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

Amendments resulting from Annual improvements to IFRSs 2018 – 2020

The improvements change four standards:

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

The amendments will enter into force on 1 January 2022.
The Company does not expect significant impacts from the adoption of these improvements.

IFRS 4 Amendments – Insurance Contracts

The expiry date of the exemption from the application of IFRS 9 to financial years starting on 1 January 2021 has been moved to 2023. In order to align the date of entry into force of IFRS 9 – Financial instruments with that of IFRS 17 – Insurance contracts.
The Company does not expect significant impacts from the adoption of these amendments.

Amendments to IFRS 9 – Financial instruments, IAS 39 – Financial instruments: recognition and measurement, IFRS 7 – Financial instruments: Disclosures, IFRS 4 – Insurance contracts and IFRS 16 – Leases

The package of amendments provides for a specific accounting treatment to spread over time the changes in the value of financial instruments or lease contracts due to the replacement of the reference index for determining interest rates. The amendments must be applied from 1 January 2021.
The Company does not expect significant impacts from the adoption of these amendments.

Amendment to IAS 1 – Presentation of Financial Statements

The amendment requires companies to disclose the relevant accounting standards rather than their significant accounting policies and provide indications on how to apply the concept of materiality to the disclosure of accounting standards. The amendment will come into force on 1 January 2023.
The Company does not expect significant impacts from the adoption of this amendment.

Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors

The amendments clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates. The distinction is important in that:

- changes in accounting estimates are applied prospectively only to future transitions and other future events;
- changes in accounting policies are generally applied also retroactively, to past transactions and other past events.

The amendments are effective for years starting on or after 1 January 2023.
The Company does not expect significant impacts from the adoption of these amendments.

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

The Board of Directors submits for approval the Separate financial statements as at 31 December 2020 and proposes that the Shareholders' Meeting approve:

a) the Separate financial statements of Sanlorenzo S.p.A., which show a net profit for the year equal to €33,997,047;
b) a proposal to allocate the net profit for the year as follows:
   - to cover losses for previous years due to the adoption of IFRS accounting standards, €20,147;
   - to the legal reserve, €1,698,845;
   - to the Shareholders as dividend in the amount of €0.30 for each of the shares in circulation on the ex dividend date, excluding treasury shares held at that date;
   - to the extraordinary reserve, the residual profit;
c) to place a restriction on the extraordinary reserve up to a maximum amount of €8,400,000, pursuant to Article 110, paragraph 8, of the Law Decree No. 104, converted with amendments by Law no. 126 of 13 October 2020.

Ameglia, 16 March 2021

For the Board of Directors
Executive Chairman
Mr Massimo Perotti

statement pursuant to Article 154-bis

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

1. The undersigned, Massimo Perotti, in his capacity as the Executive Chairman of the Board of Directors and Attilio Bruzzese, in his capacity as the Manager charged with preparing the company's financial reports of Sanlorenzo S.p.A., confirm, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998:
   - the adequacy in terms of the characteristics of the Company and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statement for 2020.
2. From the application of the administrative and accounting procedures for the preparation of the annual separate financial statements as at 31 December 2020, no significant facts need to be reported.
3. It is hereby also stated that:
   3.1 the annual financial statements:
      a) have been prepared in compliance with the international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and the Council of 19 July 2002;
      b) reflect the figures of the accounting records;
      c) are suitable to provide a truthful and correct representation of the equity, economic and financial position of the issuer.
   3.2 The report on operations includes an accurate analysis of the performance and net operating results, as well as of the position of the issuer and of all companies under the consolidation scope, along with a description of the main risks and uncertainties to which they are exposed.

Ameglia, 16 March 2021

Mr Massimo Perotti
Executive Chairman
of the Board of Directors

Attilio Bruzzese
Manager charged with preparing
the Company's Financial Reports

V

REPORT FROM THE INDEPENDENT AUDITING FIRM

Sanlorenzo S.p.A.

Independent auditor's report
in accordance with article 14 of
Legislative Decree No. 39 of 27
January 2010 and article 10 of
Regulation (EU) No. 537/2014

Consolidated financial statements as of
31 December 2020

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's report

pursuant to article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Sanlorenzo S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sanlorenzo Group (the Group), which comprise the consolidated statement of financial position as of 31 December 2020, the Consolidated statement of profit and loss and other comprehensive income, the Consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2020, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Sanlorenzo S.p.A. (the Company) in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters	Audit response
Contract assets and liabilities We refer to notes n. 19 “Contract assets and liabilities” The Sanlorenzo Group recored in the consolidated financial statements as of 31 December 2020 assets for contract amounting to Euro 112.938 thousand (equal to 22,48% of total assets and Contract liabilities amounting to Euro 46.156 thousand (equal to 9,19% of total equity and liabilities). Assets for construction refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalised with the customer. They are recognised as assets net of the related contract liabilities when, based on a case by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognised as a contract liability The forecast of total costs requires a high level of management judgement and an error in this stage could lead to a wrong valuation of the construction contracts (and consequently of operating revenue) that could be significant. The correct measurement of the stage of completion of the construction contracts and of the possible related liabilities represents a key audit matter due to the magnitude of the amounts involved and due to the high level of management judgement.	Our main audit procedures performed in response to the key audit matter regarding contract assets and liabilities included the following: ▪ We performed an understanding and evaluation of the internal control system with reference to the construction contracts. ▪ For each construction contract we obtained and examined the contract (and their amendments and modifications agreed with the client, if any) and verified that the total revenues were in accordance with the contracts. ▪ For each construction contract we performed comparative analysis by comparing the budget of the full life costs with the one for sister vessels and with the budgets obtained in past years, in order to verify significant fluctuations. ▪ We had discussions with the Project Managers and with the management control team in order to understand main fluctuations and evaluate the reasonableness of the budgets and their updates. ▪ We analysed and verified the process of attribution of the costs incurred to the related construction contract and we checked the balance between general accounting and industrial accounting for a sample of. ▪ We performed substantive procedures in order to test the correct attribution of the costs to the related construction contract. ▪ We verified the percentage of completion computed by comparing the costs incurred at the reporting date with the estimated full life costs, for a sample of. ▪ We performed substantive procedures on the closing of the accounting for the constructions delivered during the financial year. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Key audit matters	Audit response
Recoverability of goodwill	
We refer to notes n.14 "Goodwill" and n. 16 "Impairment Test" The carrying amount of goodwill reported in the consolidated financial statements at 31 December 2020 is Euro 8.667 thousand (equal to the 1,73% on total assets). For the purpose of the impairment test, a Cash Generating Unit ("CGU") has been identified represented by the total operating assets of the Sanlorenzo Group as a whole. As it was not possible to measure the fair value of the assets being tested for impairment as at 31 December 2019, management estimated their recoverable amount considering value in use, calculated by discounting the 2021-2023 estimated operating cash flows obtained from the financial projections included in Piano 2021-2023. This item was considered significant for the audit given its magnitude as well as the subjectivity and complexity inherent to the evaluation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the strategic plan, the discount rates, discounting and future growth used and additional parameters characterized by subjectivity.	Our main audit procedures performed in response to the key audit matter regarding the recoverability of goodwill included the following: We understood and evaluated the methodology adopted by management to perform the impairment test on the Cash Generating Unit. We examined the projections included in the Strategic Plan 2021-2023 and we had discussions with management in order to understand and critically analyse the assumptions used by them. We verified the accuracy of the impairment test model used by management through an independent re-computation and by comparing the results obtained. We recomputed the discount rates used by management for the CGU and the growth rate with the support of experts from the BDO network. We performed sensitivity analysis in order to evaluate if changes in the discount and growth rates could lead to an impairment. We verified the completeness and accuracy of the disclosures in the notes.

Responsibilities of Management and those charged with Governance for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sanlorenzo S.p.A. or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- concluded on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor’s report.

Additional disclosures required by art. 10 of Regulation (EU) N 537/2014

On 23 November 2019, the shareholders meeting of Sanlorenzo S.p.A. engaged us to perform the statutory audit of the Company's stand alone and consolidated financial statements for the years ending 31 December 2019 to 31 December 2027.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on other legal and regulatory requirements

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree N. 39/10 and article 123-bis, paragraph 4, of Legislative Decree N. 58/98.

The directors of Sanlorenzo S.p.A. are responsible for preparing a report on operations and a report on operation of the corporate governance report of the Sanlorenzo Group as of 31 December 2020, including their consistency with the relevant consolidated financial statements and their compliance with the law and regulations.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information of the corporate governance report as provided by article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the Sanlorenzo Group as of 31 December 2020 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report with the consolidated financial statements of the Sanlorenzo Group as of 31 December 2020 and are prepared in compliance with the law and regualtion.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation in application of Legislative Decree n.254, of December 30 2016

The Directors of Sanlorenzo S.p.A. are responsible for the preparation of the consolidated non financial statements in accordance with Legislative Decree n.254, of December 30, 2016.

We verified the approval of the consolidated non financial statements by the Board of Directors.

According to article 3, paragraph 10, of Legislative Decree n.254, of December 30, 2016 we performed a separate audit analysis on this statement.

Genova, 30 March 2020

BDO Italia S.p.A.

Signed by
Paolo Maloberti
Partner

This report has been translated into English from the Italian original solely for the convenience of international readers

Sanlorenzo S.p.A.

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39 dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

Financial statements as of 31 December 2020

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditor's Report
pursuant to article 14 of Legislative Decree n. 39, dated January 27 2010 and article 10 of EU Regulation n. 537/2014

To the shareholders of
Sanlorenzo S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of Sanlorenzo S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020 and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	Audit response
Contract assets and liabilities	
We refer to note no.18 *Contract assets and liabilities.* Sanlorenzo S.p.A. recorded in its financial statements at 31 December 2020 assets for construction contracts amounting to Euro 109.253 thousand (equal to 22,17% on total assets) and liabilities for construction contracts amounting to Euro 49.471 thousand (equal to 10,04% on total liabilities and net equity). Assets for construction contracts refer to ongoing contracts measured using the cost-to-cost method as the contract terms have already been finalised with the customer. They are recognised as assets net of the related contract liabilities when, based on a case-by-base analysis, the gross value of the work performed at the reporting date is higher than the progress payments received from the customers. Conversely, if the progress payments are greater than the related contract assets, the difference is recognised as a contract liability. The forecast of total costs requires a high level of management judgement and an error in this stage could lead to a wrong valuation of the construction contracts (and consequently of operating revenue) that could be significant. The correct measurement of the stage of completion of the construction contracts and of the possible related liabilities represents a key audit matter due to the magnitude of the amounts involved and due to the high level of management judgement.	Our main audit procedures performed in response to the key audit matter regarding contract assets and liabilities included the following: ▪ We performed an understanding and evaluation of the internal control system with reference to the construction contracts. ▪ For each construction contract we obtained and examined the contract (and their amendments and modifications agreed with the client, if any) and verified that the total revenues were in accordance with the contracts. ▪ For each construction contract we performed comparative analysis by comparing the budget of the full life costs with the one for sister vessels and with the budgets obtained in past years, in order to verify significant fluctuations. ▪ We had discussions with the Project Managers and with the management control team in order to understand main fluctuations and evaluate the reasonableness of the budgets and their updates. ▪ We analysed and verified the process of attribution of the costs incurred to the related construction contract and we checked the balance between general accounting and industrial accounting for a sample of. ▪ We performed substantive procedures in order to test the correct attribution of the costs to the related construction contract. ▪ We verified the percentage of completion computed by comparing the costs incurred at the reporting date with the estimated full life costs, for a sample of. ▪ We performed substantive procedures on the closing of the accounting for the constructions delivered during the financial year. ▪ We verified the completeness and accuracy of the disclosures in the notes.

Key audit matter	Audit response
Recoverability of goodwill	
We refer to note no.13 “goodwill” an note no.15 “impairment test”	Our main audit procedures performed in response to the key audit matter regarding the recoverability of goodwill included the following:
The carrying amount of goodwill reported in the financial statements at 31 December 2020 is Euro 8.667 thousand (equal to the 1.76% on total assets). For the purpose of the impairment test, a Cash Generating Unit (“CGU”) has been identified represented by the total operating assets of the Sanlorenzo as a whole. As it was not possible to measure the fair value of the assets being tested for impairment as at 31 December 2020, management estimated their recoverable amount considering value in use, calculated by discounting the 2021-2023 estimated operating cash flows obtained from the financial projections included in Piano 2021-2023. This item was considered significant for the audit given its magnitude as well as the subjectivity and complexity inherent to the evaluation process; the recoverability of goodwill is related to the occurrence of the assumptions underlying the strategic plan, the discount rates, discounting and future growth used and additional parameters characterized by subjectivity.	▪ We understood and evaluated the methodology adopted by management to perform the impairment test on the Cash Generating Unit. ▪ We examined the projections included in the Strategic Plan 2021-2023 and we had discussions with management in order to understand and critically analyse the assumptions used by them. ▪ We verified the accuracy of the impairment test model used by management through an independent re-computation and by comparing the results obtained. ▪ We recomputed the discount rates used by management for the CGU and the growth rate with the support of experts from the BDO network. ▪ We performed sensitivity analysis in order to evaluate if changes in the discount and growth rates could lead to an impairment. ▪ We verified the completeness and accuracy of the disclosures in the notes.

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

The directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement art. 9 of Legislative Decree N0. 38/05 and, within the terms provide by the law, for such internal control as management determines 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, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate Sanlorenzo S.p.A. or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also have:

- identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluded on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We have also provided those charged with governance with a statement that we have complied with relevant ethical and independence requirements applicable in Italy, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described those matters in the auditor’s report.

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Legislative Decree n. 39/10 and of article 123-bis of Legislative Decree n. 58/98.

The directors of Sanlorenzo S.p.A. are responsible for the preparation of the report on operations and of the corporate governance report of Sanlorenzo S.p.A. as at 31 December 2020, including their consistency with the financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and of specific information of the corporate governance report as provided by article 123-bis, paragraph. 4, of Legislative Decree n. 58/98, with the financial statements of Sanlorenzo S.p.A. as at 31 December 2020 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements if any.

In our opinion, the report on operations and the above mentioned specific information of the corporate governance report are consistent with the financial statements of Sanlorenzo S.p.A. as at 31 December 2020 and are compliant with applicable laws and regulations.

With reference to the assessment pursuant to article 14, paragraph. 2, letter e), of Legislative Decree n. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genova, 30 March 2020

BDO Italia S.p.A.

Paolo Maloberti
Partner

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VI

REPORT FROM THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting of Sanlorenzo S.p.A. called to approve the Financial Statements as at 31 December 2020 pursuant to Article 153 of Italian Legislative Decree 58/1998

Dear Shareholders,

in compliance with the provisions of Article 153 of Italian Legislative Decree 58 of 24 February 1998, ("TUF" - Consolidated Law on Finance) and the guidelines contained in Consob communication no. 1025564 of 6 April 2001 and subsequent amendments and additions, as well as taking account of the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili ("CNDCEC") - National Institute of Chartered Accountants, the Board of Statutory Auditors of Sanlorenzo S.p.A. (the "Company") provides information to you in this Report on the monitoring activities carried out in 2020.

Summary of the Board of Statutory Auditors' activities

The Board of Statutory Auditors, in compliance with Article 149 of the TUF and Article 2403 of the Italian Civil Code, organised its activities in order to monitor:

- observance of the law and the By-laws;
- respect for the principles of proper administration;
- the adequacy of the organisational structure;
- the adequacy of the internal control system;
- the reliability of the administrative-accounting system in correctly representing management events;
- the methods of practical application of the Code of Corporate Governance, which the Company declared its compliance with and, in particular, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members, as well as the members of the undersigned Board of Statutory Auditors;
- the cohesiveness of the provisions issued to the Group companies for the purposes of fulfilling the communication obligations set forth by law (pursuant to Article 114, paragraph 2, of the TUF);
- transactions with related parties and intercompany transactions;
- the correct fulfilment of the obligations in relation to the market abuse regulations, as well as regarding corporate disclosure.

During the year ended on 31 December 2020, the Board of Statutory Auditor held a total of eleven meetings, drafting minutes for them which detailed the control and supervisory activities carried out. The Board of Statutory Auditors also took part in the meetings of the Board of Directors and the internal board committees, as well as the Shareholders' Meetings.

The Board of Statutory Auditors, that drafts this report, declares that all its members respect the regulatory provisions issued by Consob in relation to the maximum number of offices and, in this regard, has indicated the relevant engagements fulfilled for this purpose, in the Company's Report on Corporate Governance and Ownership Structures, drafted in accordance with Article 123-bis of the TUF, made available on the Company's website.

Significant events

The most significant economic, financial and equity transactions carried out by the Company are outlined in detail in the report on operations; in particular, these include the following:

Capital increase of the associated company Polo Nautico

On 8 July 2019, the shareholders' meeting of the associated company Polo Nautico Viareggio S.r.l. ("Polo Nautico") approved a contribution to the share capital increase account totalling €600 thousand, to be converted to share capital following the resolution of the Extraordinary Shareholders' Meeting on the share capital increase, which was subsequently held on 20 January 2020. The share capital of Polo Nautico therefore increased from €67,400 to €667,400, with €300,000 of the share capital increase subscribed by Sanlorenzo.

Following the share capital increase, the equity investment held by Sanlorenzo in Polo Nautico increased from 48.15% to 49.81%.

Loan with Cassa Depositi e Prestiti

On 23 March 2020, Sanlorenzo took out a €10 million loan from Cassa Depositi e Prestiti S.p.A. drawn on funds from the European Investment Bank (EIB). The 7-year loan is intended to support investments in research, development and innovation relating to new yacht and superyacht models.

Approval of the 2020 Stock Option Plan

On 21 April 2020, the Ordinary Shareholders' Meeting approved the adoption of the 2020 Stock Option Plan, which provides for the free assignment of options granting the beneficiaries, i.e. the executive directors and key employees of Sanlorenzo and its subsidiaries, the right to subscribe Sanlorenzo shares based on a ratio of one share for every option at a strike price of €16.00.

On 9 December 2020, the Board of Directors resolved to extend the vesting period of the options from three to four years, always in compliance with the minimum average vesting period of two years envisaged by the regulations approved by the Shareholders' Meeting.

The 2020 Stock Option Plan is supported by a special share capital increase through the issue of new shares for a total maximum nominal value of €884,615, approved by the Ordinary Shareholders' Meeting on 21 April 2020 and not yet subscribed.

Health emergency linked to COVID-19

The exceptional measures adopted by the governments of many countries to limit the spread of COVID-19 generated effects beginning from the end of March.

Until 23 March 2020, the Company basically worked as usual, and only starting from the last week of March, when Italian Prime Ministerial Decree of 22 March 2020 came into force, did the Company gradually close all facilities, while in any event guaranteeing the assistance service and the management of boats in the water and other activities permitted by measures in force.

Ever since the first news came out about the spread of COVID-19, Sanlorenzo started an expanded roundtable group with the broadest participation by all parties representing labour (unitary union representative body and trade unions FILCTEM-CGIL, FEMCA-CISL, FIOM-CGIL, UILM-UIL), which resulted in the signing on 7 April 2020 of an operating protocol containing the prevention and protection measures to be implemented at the Company's production sites.

The signing of the safety and prevention protocol made it possible to reopen the Ligurian facilities in Ameglia (SP) and La Spezia on 14 April 2020, in line with what is set forth by the Liguria Region (in implementation of Italian Decree no. 18/2020 of 13 April 2020 of the Department of Civil Protection/Prime Minister's Office), for the performance of activities in preparation for the delivery of vessels already outfitted by shipyards. Likewise, on the basis of the Order of the Tuscany Region of 16 April 2020, the Company also reopened the Viareggio (LU) facilities.

Therefore, on 20 April 2020 all of the Group's operating facilities had been reopened - according to the methods defined by local provisions as well as national legislation - to resume activities relating to yachts to be delivered by the end of July 2020.

On 4 May 2020, all of the Company's facilities were fully operative in compliance with the requirements of Italian Prime Ministerial Decree of 26 April 2020 and after adopting all safety and prevention measures set forth in the protocol, which has been later regularly updated and integrated in the light of the health situation and the measures issued each time by the authorities.

The Board of Statutory Auditors, in relation to the ongoing health emergency determined by the COVID-19 pandemic, was constantly informed by the Company's competent functions, of the evaluations conducted regarding the evolution of events and the reference regulatory framework, as well as the actions taken to protect workers' health.

Confirming agreements with Intesa Sanpaolo S.p.A. and UniCredit Factoring S.p.A.

In May, Sanlorenzo entered into a supply chain finance framework agreement with Intesa Sanpaolo S.p.A., with a view to supporting small- and medium-sized enterprises that make up by the supply chain that, thanks to the agreement, have a total credit line of €50 million available for advances on trade receivables due from the Parent Company.

The agreement, which translates into participation in an IT platform named "Confirming", makes it possible for suppliers to take advantage of beneficial conditions on factoring transactions and gives the company the opportunity to obtain an additional extension beyond invoice due dates.

The use of that platform also makes it possible to streamline and simplify payment procedures with respect to suppliers, with the assignment to the bank of a mandate for the payment of supplier invoices uploaded on the platform at their due date, releasing the company from the burden of ordering and making payments.

In June, an additional confirming agreement was signed with UniCredit Factoring S.p.A., which provided a total credit line of €20 million that may be used by suppliers of Sanlorenzo and Bluegame.

Launch of the treasury share purchase program

On 31 August 2020, the Ordinary Shareholders' Meeting approved the request to authorise the purchase and sale of treasury shares for up to a maximum of 3,450,000 shares (equal to 10% of the current share capital), in one or more tranches, until 28 February 2022 (18 months from the date of the shareholders' resolution).

Based on this authorisation resolution, the Company launched the treasury share purchase programme on 24 September 2020. As a result of the share purchases since the programme launch, the Company held 58,666 treasury shares as at 31 December 2020, equal to 0.170% of the subscribed and paid-in share capital.

Acquisition of a minority equity investment in Marine Yachting Monaco S.A.M.

On 28 September 2020, Sanlorenzo S.p.A. acquired an equity investment equivalent to 40.0% in Marine Yachting Monaco S.A.M. from two private parties, for a total value of €125 thousand. Sanlorenzo S.p.A. currently holds 99.7% of the share capital of Marine Yachting Monaco.

Observance of the law and the By-laws

Participation in the meetings of the Board of Directors and the relevant Committees, the information gathered and the controls carried out for the purpose, enabled the Board of Statutory Auditors to ascertain that your Company operates in observance of the laws, the regulations and the company By-laws.

In particular, the rules that govern the operation of the corporate bodies, the Company's activities as well as the recommendations of the institutional bodies are subject to constant monitoring by the officers in charge who, in possession of adequate professionalism for the different specialisations, correctly apply them by making use, if necessary, also of the opinions of expert professionals in the individual disciplines.

Respect for the principles of proper administration

Company activities are constantly monitored and are targeted at preserving and safeguarding company assets as well as creating value. At the meetings of the Board of Directors, the following are, among other things, carefully analysed and subject to in-depth debate:

- the operating performance;
- the periodic economic and financial results and the provisional data;
- the most significant transactions and any proposed investments, acquisitions and disinvestments, by evaluating their risks, by conducting in-depth analyses of the competitive scenarios, reference markets, cost effectiveness, the impact of the transactions on the Group, as well as their consistency and compatibility with the available resources;

- any related party transactions in line with the procedure adopted by the Company;
- the most significant transactions of the subsidiaries, the economic performance and the equity structure of said subsidiaries, taking into account the particular situations of the reference markets in which they operate.

The Board of Statutory Auditors is not aware of any transactions that are manifestly imprudent, hazardous or not in keeping with the board resolutions and the interests of the Company and the Shareholders.

The resolutions of the Board of Directors are executed by the top management and by the administrative, sales and productive structure based on compliance criteria.

From an operating perspective, the Board of Statutory Auditors has gathered the information, requested the necessary material, encouraged meetings with the Manager responsible for preparing the Company's financial reports, the heads of management control, with the *Internal Audit* Function and with the Manager of the Legal and Corporate Affairs Department.

It regularly engaged in dialogue with BDO Italia S.p.a., the company tasked with conducting the independent audit and the limited audit of the non-financial statement pursuant to Italian Legislative Decree 254/2016.

It constantly exchanged information with the Supervisory Body pursuant to Italian Legislative Decree 231/2001 on the effectiveness, observance and the update of the Organisation, Management and Control Model for the purposes of Italian Legislative Decree 231/2001.

Hence, it was able to acquire knowledge of the effectiveness and efficiency of the operating activities and of the reliability and continuity of the controls that guarantee the promptness of any corrective actions.

Adequacy of the organisational structure

The Board of Statutory Auditors examined the organisational charts, the levels of responsibility, the delegations of power and flow of directives, evaluating the organisation's capacity, as a whole, to exercise adequate strategic-operational direction and carry out the necessary controls on the technical, technological, sales and administrative-accounting operations of the entire Group. A review of the powers granted allowed the Board of Statutory Auditors to issue a positive judgement on their clarity and rationale.

The Board of Statutory Auditors was able to ascertain that the offices in charge promptly and reliably acquire the necessary information also from the subsidiaries and that they respond with adequate and effective actions. The procedures used for the purposes and the directives issued, relating to economic-management control, are sufficient to adequately carry out said activity.

Adequacy of the internal control system

The Report on Corporate Governance and Ownership Structures and the Annual Report relating to 2020 describe the main characteristics of the internal control and risk management system. The internal control and risk management system is composed of rules, procedures and corporate structures that operate to allow the effective functioning of the Company and of the Group in order to identify, manage and monitor the main risks to which they are exposed. The internal control and risk management system is an integrated system that involves the entire organisational structure; in order to guarantee a consistent approach at Group level, the Company defines the Group directives on the governance system supplemented by the internal control and risk management policies of the Group, which apply to all Companies.

In said context, the Board of Statutory Auditors supervised the adequacy of the internal control and risk management system implemented by the Company and its Group, verifying its practical functioning. In particular, the Board:

- acknowledged the periodic judgement of the adequacy of the internal control and risk management system issued, based on the prior opinion of the Control, Risk and Sustainability Committee, by the Board of Directors;
- examined the periodic report of the Control, Risk and Sustainability Committee issued on a six-monthly basis in support of the Board of Directors;
- took part in all meetings of the Control, Risk and Sustainability Committee, by also acquiring information on the initiatives that the Committee deemed appropriate to promote or request in relation to specific themes;
- verified the autonomy, independence and functionality of the Internal Audit Function, whose responsibility was appropriately assigned during the year to a dedicated and trained internal staff member, as well as implemented and maintained adequate and constant dialogue with said staff member;
- examined the Audit Plan prepared by the Internal Audit Function and approved by the Board of Directors, observed respect for the same and received information flows on the outcomes of the audits;
- acquired knowledge of the activities of the Supervisory Body established by the Company in compliance with the provisions contained in Italian Legislative Decree 231/2001 through specific disclosures and update meetings regarding the activity carried out by said party;
- obtained information from the managers of the company functions involved in the internal control and risk management system;
- met and exchanged information with the Executive Chairman, in its role as executive director appointed to supervise the internal control and risk management system, with which he shared his observations regarding the improvement to the controls architecture implemented by the Company.

In light of all of the foregoing, without prejudice to the areas of attention highlighted above and taking into account the evolutionary nature of the internal control and risk management system, the analyses conducted and the information acquired did not bring to light any elements that would lead this Board to believe that the Company's internal control and risk management system is, on the whole, inadequate.

Reliability of the administrative system and the supervisory activities on the financial disclosure process

The Board verified the existence of adequate rules and procedures, however still in the phase of implementation, for the monitoring of the process of collection, formation and dissemination of financial information.

It also acknowledged that the CFO, also in his/her role as Manager responsible for preparing the Company's financial reports, confirmed:

- the adequacy and suitability of the powers and resources conferred to him/her by the Board of Directors;
- that he/she had direct access to all the necessary information for the production of accounting data;
- that he/she participated in the internal information flows for accounting purposes and approved the associated company procedures.

The Independent Auditors did not report any observations in the periodic meetings held with the Board of Statutory Auditors as regards the administrative-accounting system, evaluated on the basis of its capacity to correctly represent company events, the prompt updating of corporate accounts, the proper keeping of the books, as well the timely fulfilment of tax and contribution obligations.

Therefore, the Board expresses a judgement of substantial adequacy of the financial disclosure preparation process and does not have any observations to present to the Shareholders' Meeting.

Supervision of the non-financial disclosure process

As set out in Article 3, paragraph 7 of Italian Legislative Decree 254/2016, the Board of Statutory Auditors, as part of the functions attributed to it by law, supervised the observance of the rules that govern the preparation and publication of the Non-Financial Statement. In particular, the Board monitored the adequacy of the organisational structures adopted by the Group based on the strategic objectives pursued in the socio-environmental domain and the adequacy of the processes and the structures that oversee, within the Group, the production, reporting, measurement and representation of the non-financial results and information.

To this end, the Board examined the documentation provided by the Company and held various meetings with the management team responsible for the non-financial statement, as well as representatives of the independent auditors tasked with the audit, who are also responsible for issuing in the appropriate report, the certification of compliance set forth in Article 3, paragraph 10, of Italian Legislative Decree 254/2016.

The Board of Directors approved the non-financial statement on 16 March 2021; it was prepared in compliance with Italian Legislative Decree 254/2016 and by taking into consideration the criteria set out in the International <IR> Framework, issued by the International Integrated Reporting Council ("IIRC").

In drafting the non-financial statement, the Company did not avail itself of the right to omit information concerning imminent developments or transactions being negotiated, pursuant to Article 3, paragraph 8, of Italian Legislative Decree 254/2016.

The Board also acknowledged that the independent auditors, BDO, issued the report pursuant to Article 3, paragraph 10, of Italian Legislative Decree 254/2016 on 30 March 2021. In said report, BDO certified that, based on the work performed, no elements came to its attention that lead it to believe that the non-financial statement has not been drafted, as regards all its significant aspects, in compliance with the requirements of articles 3 and 4 of Italian Legislative Decree 254/2016 and the reporting standards used by the Company.

The Board of Statutory Auditors, in turn, observes that, as a result of the activities carried out, no elements of non-compliance of the Non-Financial Statement came to its attention with respect to the regulatory provisions that govern its preparation and publication. Therefore, the Board of Statutory Auditors, for matters within its competence, issues a judgement of adequacy of the non-financial disclosure preparation process in line with the socio-environmental strategic objectives.

Lastly, in this regard, it does not have any observations to present to the Shareholders' Meeting.

Monitoring of transactions with related parties - atypical and/or unusual transactions

The Company has employed, from 24 October 2019 and effective from the start of trading, a procedure for transactions with related parties ("Related Parties Procedure"), adopted in compliance with the provisions of Consob Regulation 17221/2010 and subsequent amendments and Article 2391-bis of the Italian Civil Code, also applicable for transactions entered into by subsidiaries.

The Board of Statutory Auditors considers the aforementioned procedure to be compliant with the cited Consob Regulation 17221/2010 and subsequent amendments; during the year, the Board monitored the relevant observance by the Company.

The 2020 Separate Financial Statements of Sanlorenzo S.p.A., the Annual Report and the 2020 Consolidated Financial Statements show the economic-equity effects of the transactions with related parties, as well as describe the relevant transactions.

In 2020, no transactions with related parties classified, pursuant to the Related Parties Procedure, as of greater importance were presented for the attention of the relevant Committee, nor were any urgent transactions entered into with related parties.

The Board deemed the information provided by the Board of Directors in the 2020 Separate Financial Statements to be adequate regarding intercompany transactions and transactions with related parties.

As far as it is aware, no atypical and/or unusual transactions were entered into in 2020, as defined by Consob communication DEM/6064293 of 28 July 2006.

Monitoring pursuant to Italian Legislative Decree 39/2010 - verification of the independence of the Independent Auditors

The Board points out that, as part of the listing process, the Shareholders' Meeting held on 23 November 2019 assigned the independent audit engagement, pursuant to Article 17 of Italian Legislative Decree 39/2010, for the years 2019-2027, to BDO Italia S.p.A., whose fees are reported in detail in the Explanatory Notes, to which reference should be made.

The independent auditors did not provide non-auditing services.

In said context, the Board of Statutory Auditors monitored the independent audit of the annual and consolidated accounts, the independence of the independent auditors and certifies that the latter, in 2020, did not provide services that qualify as non-auditing services. Within the framework of relations between the control body and the auditor set forth in the third paragraph of Article 150 of the TUF, and in light of the powers of the Board of Statutory Auditors as the internal control and auditing committee, the Board of Statutory Auditors held the appropriate meetings on a regular basis with the company tasked to perform the independent audit, during which relevant data and information was exchanged for the performance of the respective duties. The Board of Statutory Auditors promoted meetings with the Independent Auditors specifically targeted at acquiring information on the preparation of the financial statements for the year ended as at 31 December 2020.

The Executive Chairman and the Manager responsible for preparing the Company's financial reports issued the certifications required by Article 154-bis of the Consolidated Law on Finance at the end of both the Company's separate financial statements and the consolidated financial statements as at 31 December 2020.

On 30 March 2021, the Independent Auditors issued the reports pursuant to Articles 14 and 16 of Italian Legislative Decree 39/2010 respectively for the separate financial statements and for the consolidated financial statements of the Group as at 31 December 2020.

These reports show that the financial statements documents were drafted with clarity and provide a true and fair view of the financial position, economic result and cash flows for the year ended as at said date, in compliance with the reference standards and rules.

On the same date, the Independent Auditors also issued the additional report required by Article 11 of EU Regulation 537/14, which did not highlight significant deficiencies in the internal control and risk management system in relation to the financial disclosure process, with the attached declaration pursuant to Article 6 of EU Regulation 537/2014, which did not bring to light any situations that may compromise its independence.

These declarations are sent by the Board of Statutory Auditors to the Board of Directors in an attachment without observations.

The Board monitored, for matters within its competence, the general approach of the separate financial statements and the consolidated financial statements and verified the consistency of the evaluation procedures applied with the international accounting standards; in particular, it should be noted that, in accordance with the indications of the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010, the consistency of the Impairment Test procedure with the provisions of IAS 36 was subject to a formal and autonomous approval by the Board of Directors, based on a prior evaluation of the methodology used by the Control and Risk Committee.

Compliance with the Code of Corporate Governance, composition of the Board of Directors and remuneration

The Company subscribes to the Code of Corporate Governance, issued by the Corporate Governance Committee promoted by Borsa Italiana S.p.A.

This Board evaluated the methods of practical application of the Code in question, with reference to the application principles and criteria, with no observations to make in this regard.

The Board of Statutory Auditors also acknowledges the following:

- in the first few months of 2021, the Board of Directors carried out a process of self-assessment of the size, composition and functioning of the Board itself and its Committees; the process, concluded positively, was directed with the coordination of the Lead Independent Director;
- in the first few months of 2021, in line with the recommendations of Regulation Q.1.1. of the Rules of Conduct of the Board of Statutory Auditors of Listed Companies prepared by the

CNDCEC (National Institute of Chartered Accountants), the Board of Statutory Auditors also conducted its self-assessment of the composition and functioning of the Board itself, examining and discussing the relevant outcomes at an appropriate meeting;

- the Board of Statutory Auditors verified the correct application of the criteria and the process implemented by the Board of Directors to evaluate the independence of directors qualified as "independent"; equally, it ascertained the existence of the requirements of its independence, transmitting the outcome of it to the Board of Directors as required by the Code of Corporate Governance;
- In light of the existing best practices, the Board of Directors carried out its evaluations regarding the satisfaction of the independence requirement based on all the information at the Company's disposal, aimed at acquiring from Directors qualified as independent the precise and accurate information regarding any existence of commercial, financial or professional relations, as well freelance or employment relations or other equity or professional relations, that are relevant for the purposes of the Code of Corporate Governance and the TUF.
- The Board does not have any observations regarding the consistency of the remuneration policy with the recommendations of the Code of Corporate Governance.
- The Board of Statutory Auditors acknowledges compliance of the regulatory provisions governing gender balance.

Provisions issued to Group companies

The Board of Statutory Auditors ascertained that the Company's offices issue the necessary provisions to the Group companies to provide the public with the information required by Article 114 of the TUF in observance of the conditions pursuant to Article 36 of Consob Resolution 16191/2007 ("Markets Regulation").

Other Information

The Board of Statutory Auditors has acknowledged and acknowledges the following:

- during the company year ended as at 31 December 2020, the Board of Statutory Auditors did not receive any statements pursuant to Article 2408 of the Italian Civil Code, nor any complaints from third parties;
- during the company year ended as at 31 December 2020, the Board of Statutory Auditors provided, where necessary, the opinions and observations required by law;
- the Board of Statutory Auditors, during the monitoring activities carried out during the year, did not highlight any omissions, censurable events or serious irregularities and, therefore, does not believe it necessary to send reports and proposals to the Shareholders' Meeting pursuant to Article 153 of the TUF;
- The Board of Statutory Auditors monitored the correct implementation of the obligations to be met by the Company as per the market abuse regulation, including those relating to so-called internal dealing transactions and on the protection of savings as well as regarding corporate disclosure.

In reference to all the considerations formulated in this Report, the Board of Statutory Auditors does not identify any impediments to approval of Sanlorenzo S.p.A.'s financial statements for the year ended as at 31 December 2020, as presented to you by the Board of Directors, and expresses a favourable opinion on the proposed allocation of profit for the year.

Ameglia, 30 March 2021

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